

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF PUERTO RICO
3
4 In Re:) Docket No. 3:17-BK-3283 (LTS)
5)
6) PROMESA Title III
7 The Financial Oversight and)
8 Management Board for)
9 Puerto Rico,) (Jointly Administered)
10)
11 *as representative of*)
12)
13 The Commonwealth of)
14 Puerto Rico, *et al.*) August 17, 2022
15)
16 Debtors,)
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12 In Re:) Docket No. 3:17-BK-3567 (LTS)
13)
14) PROMESA Title III
15 The Financial Oversight and)
16 Management Board for)
17 Puerto Rico,) (Jointly Administered)
18)
19 *as representative of*)
20)
21 The Puerto Rico Highways)
22 and Transportation)
23 Authority,)
24)
25 Debtor,)

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CONFIRMATION HEARING

BEFORE THE HONORABLE U.S. DISTRICT JUDGE LAURA TAYLOR SWAIN

UNITED STATES DISTRICT COURT JUDGE

AND THE HONORABLE U.S. MAGISTRATE JUDGE JUDITH GAIL DEIN

UNITED STATES DISTRICT COURT JUDGE

APPEARANCES:

ALL PARTIES APPEARING IN PERSON OR TELEPHONICALLY:

For The Commonwealth
of Puerto Rico, *et al.*: Mr. Martin J. Bienenstock, PHV
Mr. Brian S. Rosen, PHV
Mr. Michael Firestein, PHV
Mr. Lary Rappaport, PHV

For Puerto Rico Fiscal
Agency and Financial
Advisory Authority: Mr. Peter Friedman, PHV

For Ambac Assurance: Ms. Atara Miller, PHV

For AmeriNational
Community Services,
LLC: Mr. Arturo Garcia-Sola, Esq.
Mr. Nayuan Zouairabani-Trinidad, Esq.

For The Vazquez-
Velazquez Group: Mr. John Mudd, Esq.

For Financial Guaranty
Insurance Company: Mr. Martin Sosland, PHV

For HTA Insured
Bondholder Group: Mr. Matthew Madden, PHV
Mr. Douglas Buckley, PHV

1 APPEARANCES, Continued:

2 For Assured Guaranty
3 Corp. and Assured

4 Guaranty Municipal Corp: Mr. Casey Servais, PHV
Mr. William J. Natbony, PHV

5 For MAPFRE: Mr. Jose Sanchez-Girona, Esq.
(Appearing telephonically)

6 For Finca Matilde, Inc.: Mr. Eduardo J. Capdevila-Diaz, Esq.

7 For Cantor-Katz: Mr. Peter Amend, PHV
(Appearing telephonically)

8 For National Public
9 Finance: Mr. Robert Berezin, PHV
(Appearing telephonically)

10

11 Pro Se Speakers: Ms. Eliza Llenza
Mr. Angel T. Pinto-Rivera
12 Mr. Jose Rivera-Santana

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23 Proceedings recorded by stenography. Transcript produced by
24 CAT.

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1 San Juan, Puerto Rico

2 August 17, 2022

3 At or about 9:31 AM

4 * * *

5 COURTROOM DEPUTY: In Re: *The Financial and*
6 *Oversight Management Board of Puerto Rico, as representative*
7 *of the Commonwealth of Puerto Rico, et al., and the Puerto*
8 *Rico Highways and Transportation Authority*, Bankruptcy Case
9 Nos. 2017-3283 and 2017-3567, for Confirmation Hearing and
10 Omnibus Hearing.

11 THE COURT: Thank you, Ms. Tacoronte.

12 Buenos dias, good morning, and welcome, counsel,
13 parties in interest, and members of the public and press here
14 in San Juan, those observing here and in New York, and
15 telephonic participants. It is, as always, good to be back in
16 Puerto Rico, and it is good to see so many of you in person
17 again.

18 Now, before I begin my introductory and housekeeping
19 remarks, I do need to remind you that I have set certain
20 procedures, including capacity restrictions for this hearing
21 in light of the ongoing pandemic, and the court personnel are
22 working very hard to make sure that we are all safe and
23 orderly. So I expect that everyone will cooperate with the
24 court personnel. I realize that it makes some things more
25 inconvenient than they might be, but that is where we are at

1 | this time in the world. So please do cooperate with the
2 | procedures that have been set.

3 | In addition, if you happen to step outside of the
4 | courtroom, either during a break or to confer quietly in the
5 | course of the proceedings, please be mindful that there are
6 | many other proceedings going on in the courthouse, and so
7 | noise in the atrium and other areas outside needs to be kept
8 | to a minimum, and, also, don't impede the progress of people
9 | going back and forth to other proceedings. Thank you so much
10 | for your cooperation with these procedures and expectations as
11 | well.

12 | So today is the beginning of the Confirmation Hearing
13 | for the proposed Fifth Amended Plan of Adjustment for the
14 | Puerto Rico Highways and Transportation Authority. The Court
15 | has allotted a little under two hours for the presentation of
16 | opening arguments by the Financial Oversight and Management
17 | Board, several parties and groups of creditors that support
18 | the Plan of Adjustment, and five parties or groups of parties
19 | who have objected to the Plan of Adjustment.

20 | I remind you that, consistent with court and judicial
21 | conference policies, and the orders that have been issued,
22 | there is to be no use of any electronic devices in the
23 | courtroom to communicate with any person, source, or outside
24 | repository of information, nor to record any part of the
25 | proceedings; thus, all electronic devices are to be turned off

1 unless you're using a particular device to take notes or refer
2 to notes or documents already loaded on the device. All
3 audible signals, including vibration features, must be turned
4 off.

5 No recording or retransmission of the hearing is
6 permitted by any person, including but not limited to the
7 parties, or the press. Anyone who's observed or otherwise
8 found to have been texting, e-mailing, or otherwise
9 communicating with a device from a courtroom during the court
10 proceeding will be subject to sanctions, including but not
11 limited to confiscation of the device and denial of future
12 requests to bring devices into the courtroom.

13 All parties who are participating through Court
14 Solutions must mute their phones when they are not speaking,
15 and if you are accessing these proceedings on a computer, and
16 participating through Court Solutions, when it comes time for
17 you to speak, please be sure to select -- actually, when
18 you're not speaking, be sure to select both -- mute on both
19 the Court Solutions dashboard and your phone to ensure that
20 you are truly muted. When you need to speak, you'll have to
21 unmute on both the dashboard and the phone.

22 I'll be calling on each speaker during the
23 proceedings, and when I do, please identify yourself when you
24 begin to speak for clarity of the record, and please don't
25 interrupt each other or me. If we interrupt each other, it's

1 difficult to create an accurate transcript, but, as usual, I
2 apologize in advance for breaking the rule, because I may
3 interrupt if I have questions or if you go beyond your
4 allotted time. If anyone has difficulty hearing me or another
5 participant, please say something right away.

6 The agenda for today's hearing, which was filed at
7 Docket Entry No. 21852 in Case No. 17-3283, is available to
8 the public at no cost on Prime Clerk for those who are
9 interested. Although Prime Clerk has now been renamed Kroll
10 Restructuring Administration, the Prime Clerk website
11 addresses and telephone numbers are still operational.

12 I encourage each speaker to keep track of his or her
13 own time. The Court will also be keeping track of the time.
14 Speakers appearing in person here in San Juan will see a
15 yellow signal light when two minutes are remaining, and when
16 their allotted time is up, they will see a red light and hear
17 two buzzes. Speakers appearing via Court Solutions will just
18 hear two buzzes when time is up. Here's an example of the
19 buzzer sound.

20 (Sound played.)

21 THE COURT: If we need to take a break, the telephone
22 listen-only participants who are on the AT&T dial-in line
23 should keep that line open, not hanging up, just keep it open
24 during a break. We will proceed this morning until 12:50 PM
25 Atlantic Standard Time with a ten-minute break at about 11:15,

1 and will resume, if necessary, from 2:10 to 5:00 o'clock
2 Atlantic Standard Time, with another ten-minute break at about
3 3:30 PM.

4 Before we begin with the opening arguments,
5 Mr. Bienenstock and Mr. Rosen, would you please provide an
6 update as to the status of the now Fifth Amended Plan and
7 Objections since our pretrial conference last week so that
8 everyone knows what to expect? Mr. Rosen?

9 MR. ROSEN: Thank you. Good morning, Your Honor.
10 Brian Rosen, Proskauer Rose, on behalf of the Oversight Board.

11 First of all, Your Honor, it's a pleasure to be back
12 in San Juan. Thank you very much for having the hearing down
13 here.

14 Your Honor, since we filed the Fifth Amended Plan,
15 and the basis of that Fifth Amended Plan was to clear up any
16 small changes that people had raised with us, we do believe
17 that we have cleared or completely taken care of the objection
18 of AAFAF, the limited objection that AAFAF did have to it.
19 And I believe, Your Honor, the only objections that do remain
20 are four.

21 THE COURT: I'm sorry. We have to pause. We have an
22 issue with the AT&T line.

23 (Pause in proceedings.)

24 THE COURT: I understand everything's been restored.
25 Apologies for the pause.

1 Please continue, Mr. Rosen.

2 MR. ROSEN: Thank you, Your Honor.

3 I believe that we're still left with four objections
4 that were filed, although I believe, Your Honor, that we
5 really only have one. Specifically, the MAPFRE objection I
6 believe was taken care of by the inclusion of paragraph 56 in
7 the confirmation order. The Finca Matilde objection is taken
8 care of by the plan in Section 19.1, and I believe, Your
9 Honor, although parties may disagree, that the Assured versus
10 Franklin, Nuveen issue is more of an intracreditor issue than
11 an objection to the treatment pursuant to the plan, although
12 they of course will have the opportunity to say what they
13 believe.

14 And that will leave last, Your Honor, the Velazquez
15 plaintiffs' objection, which we believe we will take up during
16 the objection phase of the oral argument.

17 THE COURT: Thank you.

18 MR. ROSEN: Your Honor, we'd also like to say, before
19 we get started on opening arguments, that the -- I believe we
20 have four of our five declarants in the room, Your Honor. As
21 you know, there have been no objections to -- well, at least
22 no requests to cross-examine any of the declarants, Your
23 Honor, and we have asked the parties in the room who have
24 interposed objections whether or not they had any opposition
25 to them remaining in the courtroom, and there is none.

1 THE COURT: Very good. I see no one trying to raise
2 their hand to disagree with that statement, and so we'll note
3 for the record that those declarants are in the room for the
4 entirety of the proceeding.

5 MR. ROSEN: Thank you, Your Honor.

6 Would you like me to begin?

7 THE COURT: Yes. Please begin your opening statement
8 for the plan proponent, the Oversight Board.

9 MR. ROSEN: Thank you very much, Your Honor. Again,
10 Brian Rosen of Proskauer Rose on behalf of the Oversight
11 Board, and with me, Your Honor, Mr. Michael Firestein,
12 Mr. Martin Bienenstock, and Mr. Lary Rappaport.

13 Your Honor, the HTA Plan is the culmination of the
14 mediation team's efforts, and by mediation team, I'm referring
15 to the mediation team that was lead by Judge Houser. Your
16 Honor, if the Court recalls, as part of the mediation process
17 associated with the Commonwealth Plan, and the efforts to
18 bring additional parties to support the Commonwealth Plan,
19 Judge Houser and her team brought everyone together, and
20 specifically the monolines, Assured, National, Ambac, and
21 FGIC, in an agreement with respect to HTA and corresponding
22 CCDA, as part of the HTA-CCDA Plan Support Agreement. And
23 that agreement, Your Honor, was joined by multiple parties,
24 bringing the acceptance or the joinders to that well in excess
25 of what we believe is necessary to comply with voting

1 requirements if they were to have been given for both the 68
2 and the 98 bonds, pursuant to the plan.

3 The agreement itself, Your Honor, provided the bones
4 for that HTA Plan, and that was ultimately added onto by the
5 DRA stipulation that had been entered into and became part of
6 the Commonwealth Plan process, as well as the Committee
7 agreement to the HTA Plan specifically, when we agreed and
8 negotiated to the terms of treatment for the HTA general
9 unsecured creditors.

10 Your Honor, you will hear this morning through the
11 admission of the declarations, and specifically the Pullo
12 Declaration, that the HTA Plan has almost universal
13 acceptance. Specifically, Your Honor, in dollars, of the
14 claims voted and counted, almost 5.9 billion dollars in claims
15 voted to accept the plan, while only 1.6 million dollars voted
16 to reject the plan. That is represented, Your Honor, by a
17 99.97 percent vote in dollars to accept the plan, and .03 of
18 one percent voting to reject the plan.

19 There are only two classes, Your Honor, that voted to
20 reject the plan. The first was the Eminent Domain/Inverse
21 Condemnation, but there, Your Honor, only two creditors voted
22 in connection with the Plan. One voted in favor, one voted to
23 reject, Your Honor, each in the amount of a dollar. The
24 second class, Your Honor, and despite having the support of
25 the Creditors Committee, was the HTA general unsecured

1 creditors. There, Your Honor, only 26 votes were cast: Ten
2 in support of the plan, and 16 in opposition to the plan. But
3 interestingly, again, Your Honor, in dollars, over almost 40
4 million dollars of claims voted to accept the plan, and only
5 75 thousand dollars in claims voted to reject the plan.

6 Equally important, Your Honor, are all of the efforts
7 that were undertaken by the Oversight Board and Kroll on
8 behalf of the Oversight Board in generating interest, serving
9 notice, letting the public know about the HTA Plan, about the
10 confirmation process, about the objection period. As set
11 forth in Ms. Pullo's declaration, there were publications,
12 there were radio announcements, advertisements, and there were
13 mailings to parties in interest. And, Your Honor, as I said
14 before, there are only a handful of objections interposed,
15 and, as you will hear shortly, we don't believe any of those
16 should be granted. And, in fact, some of them may not even be
17 applicable to this proceeding.

18 Your Honor, we will put forth today not only
19 Ms. Pullo's declaration, but also those of Mr. David Skeel,
20 Chairman of the Oversight Board, David Brownstein from
21 Citibank, Ojas Shah from McKinsey, and Jay Herriman from
22 Alvarez & Marsal to show compliance with the requirements of
23 PROMESA and the Bankruptcy Code. They will show, among other
24 things, Your Honor, the efforts undertaken, the terms of the
25 respective agreements that have been reached, satisfaction of

1 the best interest test, feasibility of the obligations to be
2 undertaken, and provide an overall sense of the claims at HTA
3 and the reconciliation process being employed.

4 We will also show, Your Honor, that the Plan of
5 Adjustment is another step along the way in the path of fiscal
6 responsibility for the Commonwealth and HTA, and that it will
7 lead to -- ultimately, to market access for the Commonwealth
8 and HTA. Hopefully, Your Honor, upon completion of the
9 presentations this morning, and I hope this morning, the Court
10 will agree with the Oversight Board, and the government, and
11 the multitude --

12 (Sound played.)

13 MR. ROSEN: -- of creditors that support the
14 Oversight Board and this Plan of Adjustment, and confirm the
15 HTA Plan.

16 Thank you, Your Honor.

17 THE COURT: Thank you, Mr. Rosen.

18 Next to speak is counsel for AAFAF, who's been
19 allotted three minutes.

20 Good morning, Mr. Friedman.

21 MR. FRIEDMAN: Good morning, Your Honor. Peter
22 Friedman from O'Melveny & Myers on behalf of AAFAF. Thank you
23 for the opportunity to address the Court regarding
24 confirmation of the plan.

25 Today we're five years and one week after the Peaje

1 preliminary injunction hearing. I looked back at that
2 transcript yesterday and was reminded of how precarious the
3 viability of Puerto Rico's transportation systems were in
4 August, 2017. The threat to funding of roads and operations,
5 bridges, and trains was real. Those threats were made worse
6 by the pounding the transportation systems took from the
7 hurricanes and the earthquake that occurred during the
8 pendency of this case. Remember, it wasn't just PREPA that
9 suffered from the hurricanes and earthquakes.

10 So it is good today to see a closing of this Title
11 III case hopefully and a more solid future for Puerto Rico's
12 toll roads, non-toll roads, and other transit assets which
13 serve all of its people. And it is good that hopefully
14 confirmation of this plan will also bring the government and
15 the people of Puerto Rico one milestone closer to the end of
16 the Oversight Board.

17 As Your Honor saw, AAFAF filed a limited objection to
18 the plan, which it withdrew after resolving its issues with
19 the Oversight Board. The dispute related to certain
20 operational restructuring issues for HTA and the Commonwealth
21 transportation agency known as DTOP. As set forth in the
22 amended section 2.4 of the plan, HTA's highway assets will be
23 operationally and financially separated between toll road
24 assets and non-toll road assets with a ring fence structure.
25 Other operational issues will continue to be discussed and

1 worked on between the Oversight Board and the government.

2 With these changes to the plan, AAFAF supports
3 confirmation. AAFAF and HTA will work collaboratively with
4 the Oversight Board to implement the plan and make it go
5 effective if confirmed. Importantly, AAFAF hopes that the
6 plan and its work with the Board will lead to a future
7 successful P3 Public-Private Partnership arrangement with
8 respect to toll roads.

9 AAFAF also had concerns with the preemption languages
10 included in the proposed findings of fact and conclusions of
11 law, including the preemptive list of statutes found in
12 Exhibit A of the plan. Unlike the Commonwealth Plan, which
13 preempted really financial obligations and bond statutes here,
14 some of the preempted statutes related to operational issues,
15 so we had some concerns about that.

16 To alleviate the possible confusion, AAFAF and the
17 Board agreed on certain language in the findings of fact and
18 conclusions of law, specifically paragraphs 113 and 114, where
19 the parties followed what the First Circuit said in its
20 opinion, affirming confirmation of the Commonwealth Plan,
21 specifically, that while it's appropriate to preempt portions
22 of statutes inconsistent with the Plan, and, to quote the
23 First Circuit, "it is also acceptable to leave the details of
24 what constitutes inconsistency to be determined if and as
25 concrete issues arise," that's very important language to the

1 government.

2 I have nothing further, Your Honor --

3 (Sound played.)

4 MR. FRIEDMAN: -- other than to express my
5 appreciation. Thank you.

6 THE COURT: Thank you, Mr. Friedman.

7 Next we have for FGIC, as a supporting party,
8 Mr. Sosland. He's been allotted five minutes.

9 Good morning, Mr. Sosland.

10 MR. SOSLAND: Good morning, Your Honor. Martin
11 Sosland of Butler Snow for FGIC.

12 We stand here today in support of the Plan of
13 Adjustment for HTA, and have no doubt that the Oversight Board
14 as proponent will put forth the evidence that shows that each
15 and every element of PROMESA and the applicable provisions of
16 Chapter 11 will be met, and that the plan should be confirmed.
17 I'd just like to put an emphasis point on one of the items
18 that Mr. Rosen spoke about, namely, the vigorous and
19 arm's-length negotiations that resulted in the plan that's
20 before you today, in which the monolines, as Mr. Rosen said,
21 were involved from the beginning.

22 The HTA/CCDA, PSA, which was the term sheet for this
23 -- principal term sheet for this Plan of Adjustment, was
24 negotiated in the first instance by Assured and National, but
25 the statutory majority of the 98 senior bonds was put in place

1 in July of 2021, when FGIC and Ambac came on board in
2 connection with the negotiation of our long-sought global
3 settlement of the debts, not only of HTA but of the GO and PBA
4 debts, CCDA, and PRIFA.

5 The Court has previously approved the qualified
6 modifications for CCDA and PRIFA, and the -- and the Plan of
7 Adjustment for the Commonwealth. This is the final piece of
8 that global resolution for FGIC, and we ask that your court
9 confirm the plan at the conclusion of the hearing.

10 Thank you.

11 THE COURT: Thank you, Mr. Sosland.

12 The next speaker is Mr. Berezin for National. I
13 understand that Mr. Berezin will be speaking on the Court
14 Solutions line.

15 Mr. Berezin, are you there? Please --

16 MR. BEREZIN: I am, Your Honor.

17 THE COURT: Very good. You figured out how to
18 unmute. So you've been allotted five minutes. Good morning,
19 and please state your full name and then proceed.

20 MR. BEREZIN: Yes. Thank you, Your Honor. Robert
21 Berezin of Weil, Gotshal, & Manges for National Public Finance
22 Guaranty Corporation.

23 Your Honor, National has reserved time to be heard in
24 support of the plan during closing argument, and in the
25 interest of being efficient, National yields time for an

1 opening statement assuming that's acceptable to the Court.

2 THE COURT: That is acceptable to the Court. Thank
3 you, and thank you for being mindful of efficiency. I note
4 that National is a supporter of the plan.

5 Thank you, Mr. Berezin.

6 MR. BEREZIN: Thank you, Your Honor. Thank you.

7 THE COURT: Now for the DRA Parties. I have first,
8 for five minutes for AmeriNational, Mr. Garcia-Sola.

9 MR. ZOUAIRABANI-TRINIDAD: Good morning, Your Honor.

10 THE COURT: Good morning.

11 MR. ZOUAIRABANI-TRINIDAD: Nayuan Zouairabani. I'm
12 substituting my colleague Arturo Garcia this morning of
13 McConnell Valdes, LLC, on behalf of AmeriNational Community
14 Services, LLC, as servicer for the GDB Debt Restructuring
15 Authority.

16 The DRA, Your Honor, as you know, is likely the
17 largest single creditor of HTA who holds at least 1.7 billion
18 of loans, and at least 200 million in HTA bonds. Your Honor,
19 we are glad that we are reaching the end of a long, winding
20 road with a final destination of confirmation of HTA's Plan of
21 Adjustment. This road has not always been a smooth ride.
22 There have been numerous potholes, uneven pavement, and
23 pitfalls along the way. For example, for years this case was
24 marked by litigation between the FOMB, the monolines, the HTA
25 bondholders, and the DRA Parties. Despite this, the parties

1 | were able to find common ground and build bridges to put an
2 | end to their differences. This includes a stipulation reached
3 | between the DRA and the FOMB on November 5, 2021, which
4 | resolved the pending disputes with the debtors in the
5 | Commonwealth, PBA, and HTA cases.

6 | All of this has lead us today to confirmation of an
7 | overwhelmingly consensual plan. This achievement should not
8 | be taken lightly, as it would not have occurred had any of the
9 | parties refused to build constructively in this case. The
10 | limited pending objections should not hold up confirmation of
11 | the plan, because most of these have either been resolved
12 | through the reservations and the Fifth Amended Plan, the
13 | revised proposed confirmation order, and/or the revised
14 | proposed findings of facts and conclusions of law, or revolve
15 | around intracreditors' disputes that are not really objections
16 | to the plan itself. Because of this, HTA should be allowed to
17 | come out of the other side of this tunnel as a reorganized
18 | debtor.

19 | Your Honor, it has been a difficult road to get us
20 | where we are today, and it is uncertain whether the
21 | circumstances that lead us to a massively consensual plan can
22 | be recreated. For these reasons, AmeriNat supports
23 | confirmation of the HTA Plan, and I yield the remaining of my
24 | time. Thank you.

25 | THE COURT: Thank you so much.

1 The next speaker is for Cantor-Katz, allotted five
2 minutes, Mr. Mintz or Mr. Amend.

3 MR. AMEND: Good morning, Your Honor. Peter Amend --

4 THE COURT: Good morning.

5 MR. AMEND: -- from Schulte, Roth & Zabel on behalf
6 of the Cantor-Katz Collateral Monitor, LLC.

7 At this time, Your Honor, we'd like to yield our
8 allotted time for the opening to the rest of the supporting
9 parties. I note that we have time reserved for closing, and
10 intend to address the Court at that time for the sake of
11 efficiency.

12 THE COURT: Thank you, Mr. Amend.

13 MR. AMEND: Thank you, Your Honor.

14 THE COURT: The next speaker is Mr. Despins for the
15 UCC, also by telephone, who's been allotted three minutes.
16 Oh, not Mr. Despins.

17 MR. BONGARTZ: Good morning, Your Honor. Mr. Despins
18 is on the telephone line, but he's unfortunately not able to
19 join us in person. So with the Court's permission, I will
20 address the Court in person. I'm Alex Bongartz of Paul
21 Hastings. I'm here on behalf of the Official Committee of
22 Unsecured Creditors, and I'll be very brief.

23 The Committee supports confirmation of the HTA Plan
24 of Adjustment. I just wanted to just briefly address one
25 point. We do recognize that the class of unsecured creditors,

1 Class 16, did not vote to accept the plan, but, echoing the
2 point that Mr. Rosen just made, more than 99 percent of -- by
3 claims in amount voted, voted to accept the plan.
4 Unfortunately, the class as a whole did not vote to accept,
5 because the numerosity wasn't satisfied. But, again, as
6 Mr. Rosen has noted, that was because a number of smaller
7 claims voted to reject.

8 But, nevertheless, notwithstanding the plan rejection
9 by our class, the Committee continues to support the plan,
10 including because a number -- overwhelming amount of claims
11 voted to accept. I also wanted to just really briefly echo
12 one point that Mr. Despina had made at the hearing on
13 confirmation of the Commonwealth Plan of Adjustment regarding
14 voting in Puerto Rico. It's incredibly hard to get people to
15 affirmatively cast the ballot. The Committee did submit, and
16 it was included as part of the solicitation package, a letter
17 recommending and urging creditors to vote to accept.

18 We also posted that letter on our website, and,
19 unfortunately, folks weren't -- did not affirmatively vote,
20 but that doesn't necessarily mean that there was a rejection
21 of the plan. I should note that less than ten percent of all
22 members of the class actually submitted a ballot, which is
23 telling, because it does show that many, many claimants were
24 not unhappy about the plan. So -- but with the caveat, of
25 course, we do recognize that that's not a relevant statistic

1 for purposes of the Bankruptcy Code. But I think it is still
2 an important data point. So, with that said, the Committee
3 does support the HTA Plan.

4 One final, short disclaimer. We do support the plan,
5 and we support the confirmation thereof, but I wanted to be
6 clear that we don't necessarily are adopting all the various
7 arguments and analysis that the Board is putting forward in
8 support of confirmation. But -- and for that reason, the
9 Committee reserves its rights to the extent other plan of
10 confirmation -- other plans of adjustments will be presented
11 for confirmation in the future.

12 Thank you very much, and that's all I have for today.

13 THE COURT: Thank you, Mr. Bongartz.

14 MR. BONGARTZ: Thank you.

15 THE COURT: And now we come to opposing parties. We
16 first have counsel for MAPFRE, Mr. Sanchez-Girona, who's been
17 allotted eight minutes.

18 MR. SANCHEZ-GIRONA: Good morning, Your Honor.

19 THE COURT: Good morning.

20 MR. SANCHEZ-GIRONA: Jose Sanchez, Your Honor, on
21 behalf of MAPFRE Life Insurance Company.

22 Your Honor, in this case, MAPFRE filed an objection
23 to the plan as presented by HTA. After MAPFRE filed its
24 objection at docket 1285 of the HTA case, the Oversight Board
25 filed an amended proposed confirmation order, but opposing

1 that -- notwithstanding anything contained in the HTA Plan to
2 the contrary, to the extent that the claim of Assured as a
3 debtor to the secured claim on our part --

4 COURT REPORTER: I'm sorry --

5 THE COURT: Mr. Sanchez, I need you to speak more
6 slowly, and even more distinctly to help the court reporter
7 and everyone who's listening here in the courtroom. So if you
8 could go back to where you began to talk about the Oversight
9 Board's amended proposed confirmation order, I'd be grateful.

10 MR. SANCHEZ-GIRONA: Yeah. I'm hearing an echo, and
11 I'm having difficulty speaking, because every time I say
12 something, I hear it back.

13 THE COURT: We don't hear the echo. I sympathize.
14 So please just be as slow and distinct for us as you can be.

15 MR. SANCHEZ-GIRONA: Okay. I -- after MAPFRE filed
16 its objection at docket 1285 of the HTA case, the Oversight
17 Board filed an amended proposed confirmation order proposing
18 that, "notwithstanding anything contained in the HTA Plan to
19 the contrary, to the extent that the claim of a surety against
20 the Debtor is determined to be a secured claim and allowed in
21 whole or in part, by Final Order, or by operation of section
22 502(a) of the Bankruptcy Code following the expiration of the
23 period to object to any such claim, such claim shall be paid
24 in full, in cash."

25 Such a provision, Your Honor, would be acceptable to

1 MAPFRE if it would be included in the confirmation order.

2 Okay. So since it was not included in the plan, we're still
3 going to argue our claim.

4 THE COURT: And --

5 MR. SANCHEZ-GIRONA: So on May 23, MAPFRE filed a
6 Proof of Claim No. 42 in the amount of \$2,698,261.88. MAPFRE
7 issued surety bonds, naming City Builders as principal, and
8 the Puerto Rico Highways and Transportation Authority as
9 obligee for the construction of the Vega Baja, Humacao, and
10 Ciales projects. Pursuant to the bonds, MAPFRE guaranteed
11 Builders' compliance of obligations under the contracts
12 entered with HTA for the construction of the projects and its
13 payment of labor and materials furnished therein. The
14 contracts entered into between HTA and Builders provided that
15 HTA would retain ten percent of each partial payment in
16 compliance of the contract --

17 THE COURT: Mr. Sanchez. Pardon me for interrupting
18 you, Mr. Sanchez. At this point you -- first of all, I
19 understand that MAPFRE still presses its objection and does
20 not find the language offered by the Oversight Board
21 acceptable; is that correct?

22 MR. SANCHEZ-GIRONA: We do not -- okay. What we
23 object is to the clarification --

24 THE COURT: Mr. Sanchez.

25 MR. SANCHEZ-GIRONA: -- of the general secured claims

1 in the plan. We would accept the language proposed in the
2 amended proposed confirmation order by the Oversight Board to
3 the effect that, you know, that the claim will be absolved
4 after the confirmation hearing.

5 THE COURT: All right. So are you accepting the
6 revised language that the Oversight Board has proposed, or are
7 you asking for different language?

8 MR. SANCHEZ-GIRONA: We are accepting the language of
9 the proposed confirmation order.

10 THE COURT: Very well.

11 MR. SANCHEZ-GIRONA: Obviously that -- yeah, I'm
12 sorry.

13 THE COURT: So, what I had intended to say was that
14 at this point, we were just hearing opening statements and not
15 the argument of the objection. But now I understand you to be
16 saying that your objection has been resolved, so that we won't
17 have to have the separate argument of the objection; is that
18 correct?

19 MR. SANCHEZ-GIRONA: Well, Your Honor, as long as the
20 language proposed is accepted, then we will not argue our
21 objection, but we're not going to -- we're not going to waive
22 our objection until we see that order entered.

23 THE COURT: Yes. Well, an order will be entered in
24 accordance with -- in connection with all of my determinations
25 on confirmation, but I'm going to ask Mr. Rosen to speak to

1 confirm the Oversight Board's intention with respect to that
2 language.

3 MR. ROSEN: Yes, Your Honor. When I spoke earlier
4 about the objections that I thought were resolved, this was
5 one of them, Your Honor. Paragraph 56 of the proposed
6 confirmation order is what counsel was reading from. He
7 stopped I would say two-thirds of the way through, but yes, it
8 is our intention, and when we file this draft confirmation
9 order, to include this express provision. It was the same
10 exact provision that MAPFRE had accepted and that the Court
11 had included in the Commonwealth Plan of Adjustment
12 Confirmation Order. So we are absolutely fine with the
13 inclusion, Your Honor, and I believe it does resolve the
14 objection.

15 What counsel was going on to discuss was the
16 underlying claim, which is still subject to whatever
17 litigation is out there, Your Honor. But we have no problem
18 with this insertion.

19 THE COURT: All right. So I believe that that
20 insertion picks up the term "allowed claim." Is that correct?

21 MR. ROSEN: It says, Your Honor, to the extent the
22 claim is determined to be a secured claim and allowed in whole
23 or in part.

24 THE COURT: All right. So the one question the Court
25 had, and we might as well just deal with it now, is that the

1 definition of allowed claim -- no, actually, I'm sorry. I'm
2 thinking of a different issue, so I did not have a question
3 about that.

4 So, Mr. Sanchez-Girona, I can confirm to you that
5 with no objection to that particular language that's been
6 proposed, if the Court confirms this plan, that will be
7 included in the confirmation order.

8 MR. ROSEN: Thank you, Your Honor.

9 MR. SANCHEZ-GIRONA: Okay. Then, you know, we're not
10 going to argue our objection then, because we're going to
11 reserve all our arguments to whenever --

12 THE COURT: Would you slow down again, please?

13 MR. SANCHEZ-GIRONA: -- the Oversight Board --

14 THE COURT: Would you say that one more time, but
15 more slowly?

16 MR. SANCHEZ-GIRONA: Being that the case, then we're
17 not going to keep arguing our objection, but we are not going
18 to waive.

19 THE COURT: Yes, understood. I will make a
20 determination on it in light of the proposed change of the
21 language. Thank you, Mr. Sanchez.

22 MR. SANCHEZ-GIRONA: Okay. Thank you, Your Honor.

23 THE COURT: So the next opposing party is Mr. Mudd
24 for the Vazquez-Velazquez Group.

25 Good morning, Mr. Mudd.

1 MR. MUDD: Good morning, Your Honor. Nice to be here
2 again.

3 Your Honor, I represent a group of plaintiffs who are
4 employees of HTA. They sued in Federal Court. They lost the
5 case in Federal Court. They are on appeal right now. Now, if
6 they win and there's compensation granted, their point is that
7 the compensation is nondischargeable.

8 Now, what do we have in this case? We have a
9 statement by Mr. Cespedes. Yes?

10 THE COURT: So I am going to give you a separate
11 opportunity to argue the specifics of the objection, so the --
12 my expectation here is that you make whatever more general
13 statement you wanted to make as to why you oppose
14 confirmation, but we'd argue the specific objection later.

15 MR. MUDD: No problem.

16 My point is we have evidence, there is no
17 objection -- there is no counter-evidence to the evidence
18 presented, and, therefore, given that all the evidence shows
19 that they are -- their work was and the compensation they
20 received was involved with safety, under section 7 and Article
21 304(h) of PROMESA, their claims would be nondischargeable, and
22 that would be all.

23 THE COURT: Thank you, Mr. Mudd. I will call on you
24 again when we get to the argument section.

25 Now for objector Finca Matilde, Mr. Capdevila. Good

1 morning.

2 MR. CAPDEVILA-DIAZ: Good morning, Your Honor, and
3 it's nice to see everybody present in person. Eduardo
4 Capdevila-Diaz on behalf of Finca Matilde.

5 Your Honor, my client is once again before this Court
6 to defend its Takings Clause -- its Fifth Amendment right to
7 just compensation. While this time the issue is less
8 convoluted, or it's more straight forward, the thing is that
9 the Board is still attempting to impair eminent domain
10 creditors by limiting their right to collect post-petition
11 interest.

12 As it will be discussed in our objection period --
13 discussion period, you will see that the plan does not provide
14 for post-petition interest, and the right to just compensation
15 is defined to be the right of payment to that for which the
16 government took. It must pay for the property it took,
17 including interest. To not pay post-petition interest would
18 be an unconstitutional impairment.

19 Thank you very much.

20 THE COURT: Thank you, Mr. Capdevila.

21 So now we have arrived at the time for argument of
22 the specific objections, and the first objection on this
23 argument agenda is the objection of the IBG, the Insured
24 Bondholder Group.

25 Mr. Madden has been allotted 16 minutes in total.

1 How much time would you like to reserve, if any, for rebuttal?

2 MR. MADDEN: Four minutes, Your Honor.

3 THE COURT: All right. We'll put you down for 12
4 minutes principal, and four minutes rebuttal.

5 MR. MADDEN: Thank you.

6 THE COURT: You may begin now.

7 MR. MADDEN: Matthew Madden with Kramer Levin for the
8 Insured Bondholder Group.

9 Our group has a limited objection to the plan insofar
10 as the plan purports to accelerate the Assured insured bonds
11 contrary to the bonds resolutions, to give Assured the option
12 to prepay those bonds, and to release Assured from liability
13 once it's done so. We've heard this dispute called an
14 intracreditor dispute a couple of times this morning. This is
15 a dispute between the insured bondholders and their insurer as
16 to what the bondholders are entitled to under their policy.
17 The problem here is that the plan purports to resolve that
18 dispute in the insurer's favor, and then release them from any
19 contrary liability.

20 In many financial contracts, Your Honor, including
21 many bond indentures, the parties expressly agree that a
22 debtor's bankruptcy petition shall be an event of default, and
23 expressly agree it shall accelerate all future payments on the
24 debt. But HTA's bond resolutions do not make a bankruptcy
25 petition an event of default, and they do not accelerate

1 future debt payment upon the filing of a bankruptcy petition.
2 There is no dispute here about that.

3 Assured argues here that this key difference in
4 contractual terms just doesn't matter. Every bankruptcy
5 petition by a debtor it says, always and automatically
6 accelerates all debt payments for all purposes. And this
7 acceleration takes place, the argument goes, whether or not
8 that is actually what the insurer and the bondholders agreed
9 to in their contract.

10 Now, that would come as a surprise to many parties
11 over the years who have been negotiating these acceleration
12 provisions in their contracts, but even more to the point,
13 Assured's view is not the law. Rather, the cases recognize
14 the important difference between two different things. On the
15 one hand, there is the limited statutory acceleration
16 automatically provided in all cases by section 502(b) of the
17 Bankruptcy Code. That allows creditors to file claims in the
18 full amount of an unmatured debt. On the other hand, there is
19 a full acceleration of all future payments on a debt, which is
20 something that is governed only by contract.

21 We cite cases in our brief that say the same. *In re*
22 *Premier Entertainment* held that the claimants there had tried
23 to support an argument about the effect of an acceleration by
24 conflating these two things, the statutory acceleration and
25 the contractual acceleration. And the Court there held "the

1 claimant's argument, however, fails to note the distinction
2 between an automatic acceleration effectuated by the
3 Bankruptcy Code and an automatic acceleration effectuated by a
4 contractual provision." The automatic acceleration of debt
5 under the Bankruptcy Code, as I was saying, allows the lender
6 to file a proof of claim for the unmatured principal amount of
7 the debt under section 502 without violating the automatic
8 stay. But here's the key part. "Such acceleration is
9 relatively limited and does not change the maturity date of
10 the debt."

11 Another case is *PCH Associates*, cited in our brief.
12 In that case, a debt had not been accelerated under the term
13 of a note, and the Court there recognized the very same,
14 "distinction between the acceleration of a debt for purposes
15 of filing a proof of claim in the case," and acceleration for
16 other purposes.

17 Another case is *St. Vincent's Catholic Medical*
18 *Centers of New York*, 440 B.R. 587. There the parties were
19 arguing over whether a debt's acceleration upon a bankruptcy
20 case was voluntary or automatic, a question on which millions
21 of dollars turned. One party contended that the debt there
22 had been accelerated automatically upon the commencement of
23 the present bankruptcy case. The other said it had been
24 accelerated only voluntarily as required by the terms of the
25 governing loan documents.

1 The Court there held that acceleration had been
2 governed by the indenture only and was voluntary. Quote, it
3 is clear from the loan documents that the acceleration of the
4 debt was not an automatic event triggered by the commencement
5 of the present bankruptcy case.

6 Don't just take our word for it, Your Honor. Assured
7 has argued the same thing in an adversary proceeding in the
8 COFINA matter. We cite their brief at paragraph nine of our
9 supplemental reply. There they argue in a section titled,
10 COFINA'S Title III Filing Did Not Trigger an Acceleration,
11 that there nothing in the resolution, like here, provides for
12 the acceleration of the bonds upon the commencement of a
13 bankruptcy proceeding. The bonds have not been accelerated by
14 the claims allowance provisions in section 502 of the
15 Bankruptcy Code. They continue, there's no language in that
16 resolution that provides, excuse me, that a bankruptcy filing
17 is the event of default or can trigger acceleration. Later,
18 it goes on to make the same distinction of the cases we've
19 made in our briefs here.

20 In cases where Courts have found there to be an
21 automatic acceleration, the language of the operative
22 agreement plainly provided for the bankruptcy as an event of
23 default and placed automatic acceleration upon the occurrence
24 of an event of default. Later on, as these cases demonstrate,
25 talking about the same body of law, automatic acceleration

1 occurs when a provision provides that upon an event of
2 default, such as a bankruptcy filing, the debt becomes
3 immediately due and payable.

4 Here, by contrast, it argued in the other case, there
5 is no language in the resolution that provides that a
6 bankruptcy filing isn't an event of default or operates to
7 automatically trigger acceleration, and so it continued to
8 argue in the pages cited in our brief that the bonds there had
9 not been accelerated by the bankruptcy filing because the
10 relevant loan documents didn't provide for that.

11 Here, though, Assured relies principally on
12 *Oppenheimer*, a case out of New York. It says there that that
13 is the leading case, with supposedly relevant similarities,
14 and it has the same relevant issue, but in fact the only issue
15 in *Oppenheimer* was whether the cancellation of insured bonds
16 under a confirmed reorganization plan, and those bonds'
17 replacement with new bonds under the same plan, had somehow
18 negated the insured's obligation to pay the insured
19 bondholders at all. That's what the decision was about.

20 And that plan, unlike the plan here, did make a
21 bankruptcy petition an event of default, and so that opinion
22 does say in dicta that the bankruptcy had the effect of
23 accelerating claims on the original bonds, but that dictum
24 wasn't relevant to the holding about whether those bonds had
25 or had not been canceled. Rather, the key holding for our

1 purposes is this one.

2 The Court said, when a municipal bond issuer files
3 for bankruptcy, such reorganization should not in itself
4 vitiate obligations under contracts with third parties.
5 Assured's other cases are generally distinguishable as we
6 describe in our briefs. Many of them involved contractual
7 acceleration clauses, which, again, this case does not. And
8 others are about different issues involving make-whole
9 payments, or prepayment premiums, or set off rights.

10 Assured also argues in the alternative that the plan
11 itself can accelerate the insured bonds all on its own, even
12 if that's not allowed by the bond resolutions or under the
13 bankruptcy law upon the filing of a plan. It relies on
14 section 1123(a)(5)(F) and (H), in particular, and 1123(b)(1).
15 That's at their reply in paragraph 28. (A)(5)(F) and (H) are
16 about modifying indentures or extending, not accelerating,
17 extending maturity dates in order to provide for the, quote,
18 adequate means for the plan's implementation. But no one here
19 is trying to modify HTA's bond resolutions as part of the
20 plan, nor is extending the maturity dates at issue here. And
21 (b)(1) simply allows for classes of claims to be impaired, but
22 that certainly doesn't mean that a plan can go out of its way
23 to undermine a party's rights against a non-debtor under an
24 independent contract between them and then release the
25 non-debtor.

1 That brings me to the release. Assured and the
2 Oversight Board say that there's no third-party release for
3 Assured here in the plan. If there is one, in fact, then the
4 Oversight Board says in its supplemental reply at paragraph
5 nine that it will amend the plan to remove it. That's just
6 not what the plan says. At section 26.1(b), it says that if
7 insured pays the Assured acceleration price with respect to
8 any Assured insured bond, then that, quote, shall satisfy and
9 discharge all of Assured's obligations under the insurance
10 policies with respect to such Assured insured bond.

11 Discharge means discharge. That's a release. It's a
12 clear language of release for Assured in the plan.

13 In section 41.7(c) of the plan, it says that the plan
14 shall not "release or exculpate any payment obligation" under
15 the applicable Assured insurance policy to any beneficial
16 holder of the insured bonds in accordance with its terms, and
17 here's the important part, "solely to the extent of any
18 failure of such holder to receive the Assured treatment."

19 So the plan says there's no third-party release, only
20 if Assured fails to pay the acceleration price, but as it says
21 in section 26.1(b), if Assured does pay the acceleration
22 price, then it is discharged of all of its obligations under
23 the insurance policy.

24 Assured also says that this language is in the nature
25 of a conclusion of law that simply recognizes that if it were

1 to pay the acceleration price, then it will someday have a
2 defense -- it would anyways have a defense to remaining
3 liability, but a non-debtor release by a confirmation order
4 approved by a court can't be justified simply because the
5 beneficiary of that release doesn't think it would be and end
6 up being held liable anyways on the claims being released.

7 The briefs -- we rest on the briefs in terms of the
8 elements for providing a non-debtor release in a confirmation
9 order. It shouldn't matter, because the Board has said that
10 if this is a third-party release, they would remove it from
11 the plan.

12 Just briefly on our standing to make this objection,
13 11 -- section 1128(b), which is applicable under PROMESA
14 section 301(a) says that, a party in interest may object to
15 the confirmation of the plan. Both the Board and Assured cite
16 cases in which dissenting creditors who voted no in a class
17 that accepted the plan simply disagreed with the nature of
18 their treatment under the plan, and were held not to be able
19 to basically exercise the veto right over their treatment by
20 the debtor under the plan, having sort of lost the vote in
21 their class.

22 But here the issue involves a third-party release of
23 a non-debtor, who's not adjusting the treatment of these
24 parties under the plan, but instead how they will be treated
25 under separate insurance policies between them and these

1 parties.

2 THE COURT: Now, may I ask you a question, and this
3 goes to the voting argument that has been made principally by
4 the Oversight Board, but it seems to me, at the end of the
5 day, since Assured has voted for the bondholders in favor of
6 this plan in its entirety, that you're saying, notwithstanding
7 the insurance agreement provision giving Assured the right to
8 vote on behalf of insured bondholders, your clients didn't
9 agree to let Assured vote on something that, in their view,
10 changed their rights vis-a-vis Assured, rather than simply
11 restructuring rights as between the bondholders and the
12 debtor. Is that your position on the voting issue?

13 MR. MADDEN: That's exactly right, Your Honor.

14 THE COURT: And where does that limitation of the
15 authorization to vote for bondholders appear in the insurance
16 agreement?

17 MR. MADDEN: There's no express language that makes
18 this distinction, but the granting of voting rights is to
19 allow Assured to control consent rights as to how the claims
20 will be treated by HTA under the plan. We're not objecting to
21 what consideration HTA is providing holders of the claims
22 under the plan, but voting rights can't allow for confirmation
23 orders to provide non-debtor releases for liability under
24 separate contracts that you can't by majority vote put parties
25 out via releases of their obligations under separate

1 contracts.

2 THE COURT: Can you point me to any examples of cases
3 that you know of in which a vote by a bond insurer was held
4 non-binding on the holders of the bonds, because it approved,
5 among other things, a change in the relationship between the
6 insurer and the bondholders going beyond the restructuring of
7 the bond issuer's obligations?

8 MR. MADDEN: I can't, Your Honor, only because I'm
9 not aware of any other cases, nor do I think Assured cites
10 anywhere a plan has been used to adjust the rights of the
11 parties under a separate insurance agreement, other than in
12 this case where there were no objections -- other than in
13 other PROMESA cases in which there were no objections made and
14 the issue was not litigated.

15 THE COURT: So what outcome would satisfy your
16 objection, and is there an outcome that could preserve this
17 plan and satisfy your objection? What would it be?

18 MR. MADDEN: Sure. I think, very simply, the plan
19 and the custodial trust documents simply need to be changed so
20 that Assured doesn't have an unilateral right to accelerate
21 the bonds for insured bondholders that have elected election
22 two and participated in the custodial trust.

23 THE COURT: For all insured bondholders who've
24 elected the custodial trust, or just for your two clients?

25 MR. MADDEN: Certainly we'd be happy with the change

1 to the plan that affects only our clients, seeing as we're the
2 only ones who have stated an objection.

3 THE COURT: All right. So I'm just -- have you
4 thought specifically about what that sort of carve-out would
5 look like? Is it something that would let you challenge the
6 legality later if Assured were to exercise this? Is it
7 something that would completely eliminate the language? Just
8 talk to me a little bit more about what --

9 MR. MADDEN: Sure. We would have to work that out,
10 Your Honor, but I think there are at least two options. One
11 option is that the acceleration and collapse of the trust
12 requires the consent of the bondholders who would be effected.
13 Obviously, if the bondholders consent to be paid early, then
14 there's no issue.

15 Another option would be to take it out of the plan
16 that Assured has these rights and these releases if they
17 exercise them to pay early, and then if Assured someday
18 decides to do that, then that would be litigated separately
19 before a court under New York law.

20 THE COURT: Thank you, Mr. Madden.

21 MR. MADDEN: Thank you.

22 THE COURT: The next speaker is for Assured. It
23 looks like Mr. Servais is getting up.

24 Good morning, Mr. Servais.

25 MR. SERVAIS: Is it acceptable if I remove my mask

1 for the sake of --

2 THE COURT: Yes. While you're in the box, it's fine.

3 MR. SERVAIS: Thank you.

4 THE COURT: How much time do you want to reserve for
5 rebuttal?

6 MR. SERVAIS: I'll reserve two minutes.

7 THE COURT: All right. We'll put you down for 14 and
8 two.

9 MR. SERVAIS: Thank you.

10 Good morning, Your Honor. Casey Servais from
11 Cadwalader on behalf of Assured.

12 I will be speaking in support of the HTA Plan, and
13 I'll be addressing just some of the reasons that Franklin and
14 Nuveen's objection should be overruled, including because, as
15 you alluded to, Franklin and Nuveen's class voted in favor of
16 the plan, because the plan gives Franklin and Nuveen
17 everything that they are entitled to under the policies. And
18 given that Franklin and Nuveen are receiving everything they
19 are entitled to under the policies, there are no third-party
20 releases because, by Franklin and Nuveen's own concession,
21 there is no remaining liability to be released after Assured
22 has provided the plan treatment.

23 So, as Your Honor knows --

24 THE COURT: I'm sorry. You say that they've admitted
25 that this plan treatment provides all of the rights that

1 they're entitled to?

2 MR. SERVAIS: They have, if there's one additional
3 assumption, which is that Assured is correct on the
4 acceleration issue.

5 THE COURT: Yeah. That would be a big assumption.

6 MR. SERVAIS: That's what I will be addressing. But
7 if we fill in that blank, at that point in paragraph five of
8 their supplemental brief they've conceded Assured has no
9 remaining liability, which means there is no release, because
10 there's nothing to be released.

11 THE COURT: If you're right.

12 MR. SERVAIS: Exactly.

13 THE COURT: Okay.

14 MR. SERVAIS: Precisely. Thank you.

15 THE COURT: Just checking.

16 MR. SERVAIS: Okay. So as Your Honor knows, the HTA
17 Plan contains substantially the same acceleration-related
18 provisions as previous Title III and Title VI plans approved
19 by this Court. These provisions reflect the fact that all of
20 Assured's insurance policies provide that, in the event of an
21 acceleration of the underlying bonds, Assured may elect to
22 satisfy its policy obligations by paying off the bonds at 100
23 percent of principal, plus accrued interest.

24 The acceleration-related provisions in the HTA Plan
25 and prior plans are based on this existing language in

1 Assured's policies. Assured is in no way proposing to change
2 the policies, nor does the HTA Plan in any way change the
3 policies. For the first time in these Title III and Title VI
4 cases, a very small group of bondholders, Franklin and Nuveen,
5 have objected to these acceleration-related provisions.

6 As an initial matter, Assured was authorized, under
7 both the governing insurance agreement and the Court's
8 Disclosure Statement Order, to vote on behalf of Franklin and
9 Nuveen to accept the plan. And, as a statutory matter,
10 PROMESA section 301(c)(3)(B) also defines the monolines as the
11 relevant holders of claims for purposes of voting on a plan.
12 Assured agrees with the Oversight Board in its supplemental
13 brief that Assured's vote on behalf of Franklin and Nuveen is
14 dispositive of their objection, and that the objection can and
15 should be overruled on that basis alone.

16 THE COURT: So it is Assured's position that the
17 voting provision of the policy, and the PROMESA provision give
18 Assured free license in this situation to vote bondholder
19 interests in favor of a transaction that favors Assured as
20 against their own bondholders?

21 MR. SERVAIS: That's the bargain that the bondholders
22 made in exchange for the benefit of the Assured insurance
23 policy. As a result of that bargain, Franklin and Nuveen are
24 receiving at least 100 percent of principal, plus all accrued
25 interest. In reality, they're receiving more than that,

1 | because they're receiving a special custodial trust treatment
2 | that preserves the status quo and allows them to potentially
3 | continue receiving interest payments through the maturity
4 | date. If not for that bargain that they made with Assured to
5 | allow Assured to vote, they would be receiving 22 percent on
6 | their claims, which is what uninsured bondholders are
7 | receiving.

8 | So overall --

9 | THE COURT: But they would still have an action
10 | against Assured, which guaranteed the bonds, so they'd have an
11 | action against Assured for the other 78 percent, right?

12 | MR. SERVAIS: Not -- no, because part of the overall
13 | insurance agreement was that Assured receive the voting
14 | rights, so that's an integral part of the overall bargain that
15 | they entered into with Assured.

16 | THE COURT: If Assured decided that overall the best
17 | deal here, especially for Assured, would be that Assured would
18 | only have to pay out 50 percent on the insurance, Assured
19 | could vote for that as part of a plan of the bond-issuer
20 | debtor?

21 | MR. SERVAIS: Not at all, because that would, in
22 | fact, be inconsistent with the policy. What's happening here
23 | is not inconsistent with the policy, because the policy also
24 | always contemplated the possibility of acceleration, and the
25 | policy always specified the effect of acceleration. And

1 Franklin and Nuveen purchased these bonds with knowledge and
2 notice of that aspect of the policy.

3 Assured is not trying to change the interest rate on
4 the bonds or any of its obligations under the policy. It is
5 merely invoking acceleration-related language that has always
6 been in the policy.

7 THE COURT: Thank you. You can continue.

8 MR. SERVAIS: So, as I specified, we agreed that the
9 Oversight Board -- with the Oversight Board, that Assured's
10 voting rights are sufficient to resolve the objection. Even
11 if the Court were to reach the merits of the objection,
12 however, it should still be overruled, because the plan is
13 giving Franklin and Nuveen everything they're entitled to
14 under the policies.

15 As previously noted, Franklin and Nuveen even
16 acknowledged this in their most recent supplemental brief,
17 conceding at paragraph five that if the bonds were, in fact,
18 accelerated, then Assured has the right to satisfy its policy
19 obligations by paying principal plus accrued interest. And in
20 that scenario, quote, according to Franklin and Nuveen,
21 Assured would not have any remaining liability to insured
22 bondholders. There is, therefore, no dispute that Assured can
23 satisfy its obligations by paying par plus accrued interest
24 upon an acceleration.

25 THE COURT: If --

1 MR. SERVAIS: Right. Exactly.

2 THE COURT: If I agree with you --

3 MR. SERVAIS: Right.

4 THE COURT: -- that you have that right.

5 MR. SERVAIS: Precisely.

6 So Franklin and Nuveen's only real contention is that
7 an acceleration has not occurred and cannot occur. However,
8 the language in the policies just refers broad -- so the basis
9 of their contention that there cannot be an acceleration is
10 the bond documentation. However, the policy does not refer
11 only to a contractual acceleration. It refers broadly to any
12 acceleration, which would encompass an acceleration by
13 operation of law by virtue of a Title III filing, and --

14 THE COURT: If 502 provides an acceleration that
15 affects the rights of third parties, and not simply an
16 acceleration that let's a bondholder of the debtor file a full
17 proof of claim.

18 MR. SERVAIS: Correct.

19 So getting to that point of the effects of a 502
20 acceleration, so, basically, 502 allows a creditor to file a
21 claim for the full amount of the debt regardless of the
22 original maturity date. Substantively, that is the same as
23 if, outside of bankruptcy, the creditor filed a complaint
24 asserting that the entire debt was due. The only difference
25 is a procedural one, which is that in a bankruptcy proceeding,

1 | there's an automatic stay in place, so the creditor can't file
2 | a complaint. They have to file a proof of claim. That's the
3 | only real distinction.

4 | However, the cases cited in the briefing, including,
5 | for example, *Granite* and also the *PCH* case that actually
6 | Franklin and Nuveen cited, acknowledge that once there's been
7 | a bankruptcy filing, creditors cannot only file a proof of
8 | claim, they can also bring a lift stay motion to seek to
9 | enforce the full amount of the debt.

10 | THE COURT: As against the debtor.

11 | MR. SERVAIS: As against the debtor, correct, but
12 | that at that point, that type of acceleration is functionally
13 | equivalent to any kind of contractual acceleration, except
14 | that there's an automatic stay in place. But if the stay is
15 | lifted, the creditors can, in fact, treat the entire amount of
16 | the debt as due and payable, and seek to enforce it as they
17 | would outside of bankruptcy.

18 | So this large distinction that Franklin and Nuveen
19 | are trying to create between acceleration by operation of a
20 | contract versus the Bankruptcy Code really isn't that
21 | significant in terms of the substantive rights.

22 | THE COURT: Well, that due-on-payment statutory
23 | provision seems pretty clearly to say that, in the event a
24 | creditor is entitled to force acceleration as in the context
25 | of a bankruptcy, whether by lift stay or otherwise, the

1 insurer is not obliged to treat that as the due date of its
2 obligation, unless the insurer agrees in its discretion to do
3 so. So clearly there's that defensive protection of the
4 insurance business, and the insurer's assets, but where is the
5 affirmative right to do that in the code, an affirmative right
6 of an insurer to accelerate? Insurer can't be made to
7 accelerate I see in the statute. Insurer can accelerate
8 whenever it wants to is a little less apparent to me in the
9 statute.

10 MR. SERVAIS: Are you referring now to the New York
11 insurance law?

12 THE COURT: The New York insurance law that you argue
13 is at the root of your policy provision.

14 MR. SERVAIS: Right. So let's look at that insurance
15 law provision. So what section 6905(a) of the New York
16 insurance law states is that, quote, every such policy shall
17 provide that, in the event of an insolvency of the obligor,
18 there shall be no acceleration of the payment required to be
19 made under such policy, unless such acceleration is at the
20 sole option of the insurance corporation.

21 So two things are notable there. Actually, several
22 things are notable there. One is that this provision is
23 required to be included in every monoline insurance policy,
24 regardless of whether the underlying bond documentation
25 provides for acceleration as a matter of contract. Now,

1 Franklin and Nuveen's -- the conclusion they draw from that is
2 when this language is included in a policy where there's no
3 acceleration as a matter of contract on the underlying bond
4 documentation, this language is simply meaningless. And they
5 actually concede that under their reading in the Assured
6 policies at issue here this language is simply surplusage,
7 because it has no application under their theory.

8 However, we know under standard principles of
9 contract interpretation, we should avoid any reading that
10 would render any language in the contract surplusage. So by
11 virtue of that principle, Franklin and Nuveen's reading should
12 be rejected. Assured is the only party that has provided
13 meaning to this provision within the policy.

14 Going back to the statute, however, we note that the
15 statute refers specifically to insolvency of the obligor as a
16 circumstance that would trigger this policy language, and it
17 doesn't specify insolvency if there is also a contractual
18 right to accelerate in the event of insolvency. It just
19 refers generally to insolvency. So that is evidence that the
20 statute contemplates automatic acceleration by operation of a
21 bankruptcy filing as a circumstance that would trigger this
22 language.

23 And, third, it refers specifically to the option,
24 quote, of the insurer to accelerate payment. So that -- that
25 is the active element that Your Honor was referring to. And

1 as Your Honor referred -- alluded to, really the purpose of
2 the statute is to ensure the health of the monoline insurance
3 business by allowing insurers to control when they make
4 payments, when they're faced with a large liability, as
5 Assured is here, as a result of HTA's default. Basically, to
6 preserve the insurer's health, the insurer needs the
7 flexibility to either pay a lump sum if it can afford to do so
8 or to pay over time if that is the better option for the
9 financial health of the insurer. And that is the policy
10 underlying this language in the New York insurance law that
11 Franklin and Nuveen are trying to undermine.

12 So just briefly, I'll actually -- I'll take the rest
13 of my time now, if possible, instead of reserving for
14 rebuttal.

15 THE COURT: Yes.

16 MR. SERVAIS: I just wanted to touch on a few of the
17 other ways that Franklin and Nuveen are incorrect about the
18 idea that acceleration by operation of law is fundamentally
19 different from contractual acceleration. If you look just at
20 the cases in the briefing, in almost all of these cases,
21 acceleration by operation of law has very significant effects
22 in terms of economics and in terms of legal rights that are
23 basically indistinguishable from what the effects of a
24 contractual acceleration might be.

25 Most relevantly to this case, in *Petroleum*,

1 acceleration by operation of law imposed liability on
2 guarantors for the full amount of the accelerated debt. So
3 it's not limited to the obligations of the debtor. It extends
4 to guarantors as well.

5 That's also supported by the *Oppenheimer* case, where
6 the automatic acceleration was enough to change the rights of
7 the monoline insurer. Similarly, in *Princess Baking* and in
8 *Claybrook*, acceleration by operation of law created a right of
9 set off of the full amount of the debt versus the debtor's
10 liability. It's a very significant legal and economic change.

11 In *Manville*, the debtor would have been required to
12 pay interest on the full accelerated amount of the debt if it
13 had not been decelerated. Similar, in *PCH Associates*, there
14 would have been a default interest rate based on automatic
15 acceleration by operation of law if not -- if the debt had not
16 been decelerated.

17 So the only exception to this rule is really in the
18 case of prepayment premiums, and that is because there is a
19 special policy-driven rule in the case of prepayment premiums,
20 which is that automatic acceleration by operation of law does
21 not defeat the right to a prepayment premium, because if it
22 did, a borrower could always defeat a prepayment premium by
23 filing for bankruptcy. For that reason, prepayment premium
24 cases are special. They're not really relevant here.
25 Franklin and Nuveen say as much in their briefing, that

1 prepayment cases are not really relevant, and yet their only
2 main authority that they rely on, *Premier*, is a prepayment
3 premium case that relies on the special prepayment premium
4 doctrine. So their leading case is actually irrelevant in
5 this context.

6 So just briefly returning to the exculpation, because
7 Assured is right about the accel -- okay. Well, two more
8 points. One, in the alternative, as you know, if there's not
9 automatic acceleration, there could be acceleration by virtue
10 of the plan. They don't really provide any legal reasons that
11 that could not occur. And because Assured is right about
12 acceleration, there is no release of liability, because if we
13 are right about acceleration, then Franklin and Nuveen agree
14 with exactly what section 26 says, which is that Assured has
15 satisfied its policy obligations if it provides the treatment
16 under the plan.

17 (Sound played.)

18 MR. SERVAIS: Thank you, Your Honor.

19 THE COURT: Thank you.

20 I want you to stay there, and your responses to these
21 questions are on my dime timewise.

22 MR. SERVAIS: Okay.

23 THE COURT: So you've relied on *Oppenheimer*
24 extensively, but I'm not yet persuaded that *Oppenheimer* is
25 authoritative as to bankruptcy acceleration, much less as to

1 | its effect on non-debtor parties. And it doesn't seem from
2 | the research that we've conducted that *Oppenheimer* has been
3 | cited by anybody else for these particular propositions, and
4 | so I don't really see a basis for it to be characterized as a
5 | leading case on these issues as you've done.

6 | Do you have any other authority relying on
7 | *Oppenheimer* for these issues or any other authority where
8 | there was not a contractual acceleration provision?

9 | MR. SERVAIS: So *Oppenheimer* is, for better or worse,
10 | the most detailed discussion of the operation of New York law
11 | governed financial guarantee insurance in a chapter nine
12 | bankruptcy context. Franklin and Nuveen don't have anything
13 | contrary to it. It's far -- pardon me. It's far more
14 | persuasive than anything that Franklin and Nuveen have
15 | presented.

16 | It is a New York court analyzing the same policy
17 | language, and basically exactly the same context. In terms of
18 | acceleration occurring regardless of a contract provision,
19 | that occurred in many of the cases cited in our briefs. So
20 | there simply was no contractual acceleration language in the
21 | contract, or because the contractual language wasn't
22 | triggered, but the acceleration by operation of law achieved
23 | essentially the same result.

24 | So in *Petroleum*, for example, there was a mechanism
25 | for contractual acceleration, but it wasn't triggered, because

1 the notices weren't sent. Nonetheless, the Court said that
2 the result was exactly the same as a result of automatic
3 acceleration by operation of the Bankruptcy Code. In *Princess*
4 *Baking*, there is no discussion of whether there was a
5 contractual acceleration provision, but the Court relied
6 entirely on acceleration by operation of law to conclude that
7 the creditor could assert a set-off claim for the full amount
8 of its debt, not just the amount that had been due prior to
9 the petition date.

10 In *Manville*, again, there was a contractual
11 acceleration provision, but it hadn't been triggered, because
12 the notices hadn't been sent. Nonetheless, the Court
13 recognized that the debt was accelerated purely by operation
14 of law.

15 In *PCH Associates*, which was actually cited by
16 Franklin and Nuveen, again, there was a contractual
17 acceleration provision. It wasn't triggered, but the result
18 was the same, because of acceleration by operation of law.

19 And then there are a couple of cases where I would
20 say that the Court essentially made an alternative holding,
21 based on acceleration by operation of law. So that would
22 include *HSBC*, where this had been a contractual acceleration,
23 but the Court basically said, the result is also the same
24 based purely on acceleration by operation of law.

25 And similar to that, I would say, is *Claybrook*, where

1 | there had been a contractual acceleration, but the Court
2 | basically said, and the result would be the same alternatively
3 | under acceleration by operation of law. And, really, the only
4 | cases that fall outside of that paradigm are these cases
5 | dealing with prepayment premiums, which would include
6 | specifically *Premier*, which is their lead case.

7 | And the special prepayment premium doctrines are also
8 | discussed for example in *In re Skyler Ridge*, and that's a
9 | special policy-driven doctrine, because otherwise a borrower
10 | could always defeat the prepayment premium by filing for
11 | bankruptcy.

12 | So those cases are a universe unto themselves. Their
13 | only case that they rely on, *Premier*, falls within that
14 | universe of cases which are essentially an exception. Aside
15 | from that specific factual scenario, acceleration by operation
16 | of law functions very similarly to any kind of contractual
17 | acceleration.

18 | THE COURT: Thank you.

19 | Another question. The Oversight Board has said that
20 | if there are third-party releases, it will file an amended
21 | plan removing them. In order to resolve this objection, do I
22 | have to determine the proper interpretation of your sample
23 | plan language regarding acceleration to rule on confirmation?
24 | Is there any way that I can confirm here without agreeing with
25 | you on acceleration?

1 MR. SERVAIS: I think there are at least two ways.
2 One is the way that the Oversight Board has pointed to, which
3 is Franklin and Nuveen gave up their voting rights, Assured
4 accepted the plan on their behalf, they have accepted the
5 plan, and their vote also voted in favor of the plan, which is
6 binding under the code.

7 The other way is we did run through the *Master*
8 *Mortgage* factors. The reason that we did that was not because
9 we think there are any third-party releases. We agree with
10 the Oversight Board that there are not, but we think that the
11 Court could conclude that it's essentially irrelevant whether
12 there are any third-party releases, because Assured clearly
13 satisfies the *Master Mortgage* factors. So even if there were
14 such releases, they would be acceptable, and there's no need
15 for a ruling as to whether there are, in fact, such releases.
16 And that was the only reason -- purpose for which we cited
17 *Master Mortgage*.

18 To be clear, we're not proposing that any release
19 language at all be added to the plan. We fully support the
20 Fifth Amended Plan in its current form, as filed by the
21 Oversight Board.

22 THE COURT: So that brings me to *Master Mortgage*. So
23 Assured here is receiving plan consideration, and Assured's
24 already obligated contractually to pay principal and at least
25 some interest. So how do you satisfy the substantial

1 contribution of assets *Master Mortgage* factor?

2 MR. SERVAIS: So Assured is paying obviously a huge
3 amount net of what the value of the plan consideration is, and
4 the calculation of Assured --

5 THE COURT: But you sold an insurance policy, and had
6 a contractual obligation to do that.

7 MR. SERVAIS: Correct. So in cases where third-party
8 releases are granted, under *Master Mortgage*, the facts -- I
9 mean, very few people just fund into a bankruptcy case out of
10 the kindness of their hearts or out of charity. The reason
11 that a substantial contribution is typically made into a
12 bankruptcy case is because the party making that contribution
13 would potentially face some kind of liability of its own, but
14 in the interest of resolving that liability, as part of the
15 larger restructuring, the contribution is made into the
16 bankruptcy case, and then the party making that contribution
17 receives a release.

18 So that's -- that's the classic scenario in which
19 third-party releases are justified, and we clearly fit within
20 that paradigmatic type of scenario.

21 THE COURT: Even when it is a contribution of assets
22 that otherwise wouldn't be available for satisfaction of the
23 debtor's liability or coverage of the debtor's liability? I'm
24 trying to articulate a conceptual distinction between paying
25 administrative expenses that the debtor might otherwise be

1 | liable for, providing financing, putting in some sort of new
2 | money that's not already the subject of a prepetition
3 | contractual obligation. Am I off base in thinking that
4 | there's a relevant distinction there?

5 | MR. SERVAIS: I think -- so a class -- a very typical
6 | scenario would be that some kind of operating company has a
7 | liability. There are also potential claims against the
8 | parent. The operating company will be put into bankruptcy.
9 | The parent will make a contribution to the bankruptcy case in
10 | exchange for receiving a release of its own potential
11 | liability.

12 | So *Residential Capital* would be an example, just one
13 | case that I worked on. *Residential Capital*, the subsidiaries
14 | were put into bankruptcy. The parent company made a
15 | substantial contribution, and received a release. Many of the
16 | mass tort cases also follow this pattern. So often --

17 | THE COURT: So the *Res. Cap.* parent could potentially
18 | have been sued, but wasn't directly on the hook for the money
19 | that it put into the subsidiary?

20 | MR. SERVAIS: It was potentially -- it could have
21 | been sued under theories of, for example, veil piercing,
22 | things -- basically types of theories that would collapse the
23 | parent's liability into the subsidiary's liability.

24 | THE COURT: And Sacklers, for instance --

25 | MR. SERVAIS: Not a great ex -- right. So that would

1 be an example. But -- so it's not the case that simply
2 because Assured would have potentially its own liability, it
3 would not be entitled to a third-party release. On the
4 contrary, that would be a reason for Assured to fund into the
5 plan.

6 I would also note that Assured's agreement to this
7 plan is based on the language that's currently in the plan.
8 It's not clear that Assured would support a plan that didn't
9 contain that language. So there is the potential for the HTA
10 restructuring to move back towards square one if any of this
11 language were removed.

12 And I would also note that the equivalent language
13 exists for each of the other monolines. Every section for
14 each monoline in section 26 has this same language about
15 the -- the obligations of the monoline being satisfied. So if
16 that were found to be a third-party release, and that were
17 found to be impermissible, that would presumably have to be
18 stricken from every monoline provision, which, again, given
19 that the monolines are the principal supporters of this plan,
20 could move the entire restructuring back to square one. And
21 --

22 THE COURT: For that to be found to be a
23 non-consensual third-party release, and we haven't had any
24 other bondholders than the IBG claiming that their monoline
25 misrepresented their level of consent or approval of these

1 provisions --

2 MR. SERVAIS: Right. I don't -- I don't know
3 offhand, to be completely honest, if that type of just lack of
4 objection would be sufficient to render a third-party release
5 consensual. I would have to look into that. I don't know for
6 certain.

7 But something else I would point out would be if
8 these -- if this type of language were uniquely stripped out
9 of Assured's provisions of the plan, Assured would potentially
10 have an unfair discrimination objection to the plan based on
11 the fact that the other monolines are receiving superior
12 treatment to Assured, notwithstanding that they are similarly
13 situated and Assured has reserved its rights to object to a
14 plan.

15 Assured has rights to terminate the PSA and, in that
16 case, its votes in favor of a plan would be nullified.
17 Assured could bring a motion under Rule 3018 to change its
18 votes. So there's a lot of potential for the restructuring to
19 simply go back to square one in the event the plan is not
20 approved in the form that Assured currently supports.

21 THE COURT: In the world of theory and possibilities,
22 there's also, at least in theory, a possibility that Assured
23 could have a side agreement with the IBG that satisfies the
24 IBG to withdraw its objection and doesn't -- and doesn't
25 require any changes in the structure of the plan, yes?

1 MR. SERVAIS: I think that would raise -- I think
2 that would raise issues under 1123 as to whether all claims in
3 the class are receiving the same treatment. I think it would
4 also potentially raise --

5 THE COURT: But you're not the debtor.

6 MR. SERVAIS: Right. It would raise issues under
7 1123(a)(4) as to whether all claims are receiving the same
8 treatment. It could also raise -- potentially it probably --
9 this could probably be worked around. It could raise
10 bankruptcy fraud concerns if Assured were to have some kind of
11 undisclosed agreement between Franklin and Nuveen.

12 So if there were such an agreement, it would probably
13 have to be disclosed, but usually the time for doing that
14 would be in the context of the Disclosure Statement, so that
15 other parties that are either voting or making elections would
16 have knowledge of that special treatment for Franklin and
17 Nuveen, so that that can inform their decisions whether to
18 vote or elect. And we're kind of past that point right now,
19 so, again, we'd probably have to go more back towards the
20 Disclosure Statement part of the case in order to implement
21 that type of side agreement with Franklin or Nuveen.

22 THE COURT: Thank you. Thank you for engaging with
23 me on these questions.

24 MR. SERVAIS: Thank you very much.

25 THE COURT: So now we have Ambac. Thank you.

1 Hello, Ms. Miller.

2 MS. MILLER: Good morning, Your Honor. Atara Miller
3 from Milbank on behalf of Ambac Assurance Corporation.

4 So that rabbit hole that you just started going down
5 is part of the reason why we asked to be heard in connection
6 with this objection, despite the fact that we did not put in a
7 formal response, because, frankly, we read the Franklin and
8 Nuveen objection as being limited and addressing only the
9 Assured insured bonds, and not affecting any Ambac-related
10 bonds or policies.

11 I would note in this regard that Franklin and Nuveen,
12 based on their 2019 statement, clearly hold significant
13 insured bonds by other monoline -- insured by monolines other
14 than Assured, and have not raised any objection with respect
15 to the treatment of those bonds under the plan. So I want to
16 address this sort of argument and suggestion of what happens
17 and how much does this effect all of the monolines. And I
18 took some comfort in Your Honor's questioning early on about
19 whether a carve-out might be a way to address some of this,
20 because I do think that we run into a lot of issues if we
21 start thinking about this as an objection broadly to the
22 provision in the plan that provides for the acceleration or
23 provides that the HTA bonds have been accelerated.

24 The consequence of that -- I think there are legal
25 issues and practical issues that are raised on the legal

1 | issues. I will say that Ambac's been a proponent from day one
2 | in these cases of the fact that the bankruptcy does trigger an
3 | acceleration of the bonds. We think that 502 does impact the
4 | insurance policy, because it's not truly an agreement between
5 | the third parties, but the insurer's obligation is tied
6 | entirely and is entirely derivative of the bankrupt entity's
7 | obligation, because it's tied to the due-for-payment, which is
8 | when the original bond is due for payment.

9 | So if it's accelerated as against the entity, it's
10 | also accelerated as under the policy, and that's why you
11 | require the policy, and, frankly, the statutory provision that
12 | says, wait a minute, insurers don't have to pay. You know, I
13 | would say that I think that the IBG has raised the fact that
14 | Assured took a contrary position in COFINA. I think if you
15 | look at the terms of that settlement, that issue was
16 | litigated.

17 | We obviously took the position that the bonds were
18 | accelerated, and if you look at the results of that
19 | settlement, there's no question that the stronger view that
20 | prevailed was that acceleration was likely going to be the
21 | holding. And that's reflected in the financial treatment of
22 | the seniors versus subordinate bondholders.

23 | (Sound played.)

24 | MS. MILLER: So I think Assured advocated for a
25 | different position, but that was not what carried the day

1 | there.

2 | Your Honor, can I just have two minutes? I want to
3 | raise two quick, practical issues.

4 | THE COURT: Yes.

5 | MS. MILLER: Thank you, Your Honor.

6 | So two practical issues that haven't been raised with
7 | respect to acceleration: One is that acceleration is required
8 | here in part to address certain issues that benefit
9 | bondholders, and I'll say that it was actually a requirement
10 | when we, Ambac, put together the first trust structure in
11 | connection with COFINA, it was a requirement of the Oversight
12 | Board's advisors that there be a provision that allow for
13 | accelerated payments to ensure that early payment on the bonds
14 | get passed through directly to bondholders, and that was
15 | necessary to preserve any tax exempt status of the bonds for
16 | the benefit of the holders, because if you don't immediately
17 | pass through those proceeds, they're taxable for the
18 | bondholders. And that was a condition that if you put in
19 | place a trust structure, that you preserve that.

20 | So here, I think the IBG has said they would be okay
21 | with that. They're either right or wrong. Accelerated
22 | payments are either allowed or not. They can't be okay
23 | accepting early payments when it benefits them, because they
24 | don't want to pay taxes on the triple tax exempt bonds, but
25 | it's not okay if it's, you know, allowing Assured to get away

1 from paying the premium.

2 The second one is related to some of the issues that
3 Mr. Servais was raising, which is, you know, bondholders under
4 the plan had to elect -- the monolines voted, but the
5 bondholders elected their treatment, and they could elect to
6 either commute their policies and get the plan consideration
7 and additional monoline consideration immediately, or they
8 could elect to go into the trust. And the terms of the trust
9 included the right of the monolines to make accelerated
10 payments, were disclosed, and presumably were part of the
11 basis on which bondholders made that election.

12 So to the extent you're going to eliminate the right
13 to make accelerated payments --

14 (Sound played.)

15 MS. MILLER: -- I think you need to resolicit
16 election of the bondholders. So unless Your Honor has any
17 questions, we rest on the issue. Thank you.

18 THE COURT: Thank you, Ms. Miller.

19 Next is MAPFRE, but MAPFRE is resolved, so
20 Mr. Sanchez said he would not want to argue again on that. So
21 now we'll go to Mr. Mudd for Vazquez-Velazquez.

22 MR. MUDD: Again, good morning, Your Honor.

23 THE COURT: Good morning.

24 MR. MUDD: Let's see what we have. We have --

25 Mr. Cespedes' statement explains very well the work that they

1 do, that the plaintiffs do or did, actually, most of them do,
2 for safety, et cetera, in the contracts that are involved with
3 the HTA. Now, we have federal regulation FHWA-1273.
4 Specifically, section one specifies that the -- that that
5 regulation has to be incorporated into the contracts that have
6 federal funding for highways. Article 7 explains the
7 requirements for safety, which are extensive, and are not only
8 there, but are also explained by Mr. Cespedes.

9 If we go to the HTA regulation 02 -- 02-017, Article
10 1, first paragraph, last sentence, this responsibility lies on
11 the construction area director, the regional director, the
12 supervisors, and the project managers. Said personnel ensures
13 quality control materials, compliance with contractual
14 obligations, and, thus, the interests of the Authority.

15 The third paragraph, the last sentence -- or next to
16 last sentence specifies, it is emphasized that the fulfillment
17 of the responsibilities -- these officials are obligated to
18 make extraordinary efforts to ensure that the contractors
19 carry out the projects effectively and efficiently, as agreed
20 on in the contract. The compensation that they received under
21 this regulation was for the work that they did actually in
22 this work -- not all engineers in the HTA do this work.
23 There's actually volunteers who do this.

24 Yes, Your Honor?

25 THE COURT: So it seems to me that the regulations

1 that you cited talk about particular work that needs to be
2 done, or a quality of work that needs to be done in order to
3 satisfy the regulation. Is there any federal law, or
4 regulation, or Commonwealth statute implementing the -- a
5 specific federal law regulation requiring HTA to pay this
6 specific extra compensation that was provided for under the
7 regulation 02-017?

8 I'm trying to understand --

9 MR. MUDD: No. Okay.

10 THE COURT: -- whether there's a distinction.

11 MR. MUDD: I don't believe there's any federal
12 regulation that requires that. What it requires is that the
13 safety, et cetera, be monitored, et cetera, and the HTA, under
14 the 02-072, specifically created this compensation for these
15 people. This has been going on -- was going on since the year
16 2000.

17 THE COURT: So would it be your position that
18 outstanding compensation for any kind of work that was
19 connected to a federal program and helped to promote the safe
20 execution of that program is nondischargeable?

21 MR. MUDD: Yes, Your Honor.

22 THE COURT: So health care workers' back pay is
23 nondischargeable if they worked in clinics that received
24 federal funding, notwithstanding normal bankruptcy fences
25 around back pay?

1 MR. MUDD: Yes, Your Honor, but that is not an issue
2 here. We're talking about the actual work my clients do. But
3 yes, I would agree with that.

4 THE COURT: Yes. I'm just trying to understand how
5 broad --

6 MR. MUDD: Yes.

7 THE COURT: -- your underlying principle is.

8 MR. MUDD: Yes.

9 THE COURT: Those were my only questions.

10 MR. MUDD: If the Court has no further questions, I
11 would have no further arguments.

12 THE COURT: Thank you, Mr. Mudd.

13 Mr. -- let's see. It's 11:15. We'll hear
14 Mr. Capdevila for Finca Matilde, then we'll take our break and
15 hear the Oversight Board's response and the rebuttals.

16 Did you wish to reserve time for rebuttal,
17 Mr. Capdevila?

18 MR. CAPDEVILA-DIAZ: Yes, Your Honor. Two minutes.

19 THE COURT: Okay. So that leaves you six for
20 principal, and two for rebuttal. You can begin now. Thank
21 you.

22 MR. CAPDEVILA-DIAZ: Your Honor, Eduardo Capdevila,
23 for the record, on behalf of Finca Matilde.

24 Your Honor, Finca Matilde's objection raises three
25 arguments. One issue is on the voting, which -- whether or

1 not class 15 of the eminent domain claims were entitled to
2 vote or not. However, that was -- that objection is moot in
3 light that counsel for the Board already informed us that the
4 class objected. So that issue is moot.

5 The second issue is that the plan does not reflect
6 that the First Circuit confirmed the plan, and that it was not
7 clear that the -- whether or not we were relitigating the same
8 issues as in the main case of the Commonwealth. Today,
9 Counsel for the Oversight Board does that. This was probably
10 resolved with the findings of facts and conclusions of law at
11 paragraph 40. We agree to some extent, to the extent that it
12 shows that it's not attempting to relitigate.

13 However, the third issue, which is the payment of
14 post-petition interest, is still pending. The definitions of
15 the plans clearly state that an allowed claim that -- are to
16 be paid, and "allowed claim" is defined to not include
17 post-petition interests. Therefore, in the case of *Nix*, just
18 compensation was -- as stated by the Supreme Court, includes
19 post-petition payments, it includes any interest accrued up
20 and until payment in full. Therefore, given the definitions
21 of the plan and the proposed treatment, the plan suggests that
22 eminent domain creditors such as my client will not be paid
23 post-petition interest.

24 In the latest proposed findings of facts and
25 conclusions of law, it states that they are not subject to

1 discharge or impairment. That's what they are proposing the
2 Court to find. But if you're not paying what we are entitled
3 to, pursuant to non-bankruptcy law, there is an impairment.
4 If, however -- if the Board means, by the inclusion of
5 paragraph 40 in the proposed findings of facts and conclusions
6 of law, that it intends to pay post-petition interest, well,
7 then we would have no objection. But the fact is that given
8 those definitions, my client is being impaired, and the
9 confirmation would be unconstitutional as violating the
10 Takings Clause of the Fifth Amendment.

11 Thank you, Your Honor.

12 THE COURT: Thank you, Mr. Capdevila.

13 So, at this point, we will take a ten-minute break,
14 and we will actually -- we'll just return at 11:30 by that
15 clock, which is a bit more than ten minutes. So, and then we
16 will recommence with Mr. Rosen's remarks for the Oversight
17 Board, and then go to rebuttals.

18 I remind everyone to be respectful of the other
19 proceedings that are going on. So don't be rowdy in the
20 atrium, please, and let people by. Thank you. We'll see you
21 at 11:30.

22 COURT SECURITY OFFICER: All rise.

23 (At 11:15 AM, recess taken.)

24 (At 11:30 AM, proceedings reconvened.)

25 THE COURT: Please be seated.

1 Mr. Rosen, it's been brought to my attention that the
2 interpreter who has been brought for the public speakers is on
3 a tight timetable, and so there are three public speakers, so
4 I want to turn to that part of the agenda before your
5 responsive argument.

6 So, ladies and gentlemen, as background -- just one
7 moment. Thank you. The Court reserved a block of time on
8 this Confirmation Hearing agenda for the presentation of
9 remarks and arguments for members of the public, and made a
10 registration system available. Twelve people responded, and
11 three of the five residents of Puerto Rico who registered and
12 confirmed their intention to appear in court are here to speak
13 today. This is an opportunity for these members of the public
14 to participate in this historic confirmation hearing by
15 sharing their thoughts and perspectives regarding the proposed
16 plan of adjustment for the Highways and Transportation
17 Authority.

18 The Court appreciates that many lives are seriously
19 effected by what has taken place since the Commonwealth filed
20 its Title III petition. The people of Puerto Rico have
21 valiantly and patiently weathered the roughest storms, endured
22 financial difficulties, and persevered through an
23 unprecedented pandemic, as well as earthquakes during the
24 pendency of these restructuring proceedings, as AAFAF's
25 counsel acknowledged earlier in this proceeding.

1 Members of the public, your comments and reflections
2 on the proposed HTA Plan are an important part of the
3 Confirmation Hearing, and I will be listening carefully, along
4 with the government and party representatives who are present,
5 and those who are listening by phone. I do remind you and
6 everyone else again that no recording or retransmission of the
7 hearing is permitted by anyone, including but not limited to
8 the parties, members of the public, or the press, and
9 violations of this rule may be punished with sanctions.

10 I will be calling on each member of the public who is
11 here to speak and provide their testimony. When your name is
12 called, please approach the podium and identify yourself by
13 stating your full name before you begin your remarks. We have
14 ensured that interpretation services are available to any
15 speaker who needs Spanish-to-English translation.

16 You will see a yellow signal light when two minutes
17 are remaining in your allotted time, and when your time is up,
18 you'll see a red light and hear two buzzes.

19 Can we have a sample of the buzz sound one more time?

20 (Sound played.)

21 THE COURT: Thank you.

22 If anyone has difficulty hearing me or another
23 participant, raise your hand here in the courtroom. Also,
24 before I call on the first speaker, I want to remind the
25 speakers that they've each been allotted ten minutes of

1 speaking time, including the time needed to interpret the
2 comments into English. If additional time seems to be needed,
3 I may permit you to finish your remarks on a particular topic,
4 but I do encourage each of you strongly to stay within your
5 time limitations out of respect for your fellow residents who
6 come to speak and the conduct of these proceedings. Thank
7 you.

8 The first speaker is Eliza Llenza. Would you please
9 come to the podium?

10 MS. LLENZA: Hello, Your Honor.

11 THE COURT: Hello.

12 MS. LLENZA: Can I take this off to speak or should I
13 --

14 THE COURT: Yes, you can take it off to speak in the
15 box, and when you come back out, you can put it on. Thank you
16 for coming here today.

17 MS. LLENZA: Thank you. My name, for the record, is
18 Eliza Llenza, and it's spelled like Eliza.

19 Good morning, Your Honor. My name is Eliza Llenza,
20 and I thank you for the opportunity to be heard. I am only
21 one of the thousands of citizens who have been greatly
22 effected by decisions made by the government officials without
23 our knowledge that have provoked the financial crisis that has
24 lead us to bankruptcy.

25 I respectfully wish to say that, as many others, we

1 | feel that the people are not represented in this court. I am
2 | here to honor past generations of hard-working people who
3 | followed all the rules, pursuing with dedication and
4 | persistence in education under decent work ethics, which
5 | promised stability, progress, and liberty, the American dream.

6 | I am also here deeply concerned of the future of my
7 | island, feeling the need to stand up to a situation which
8 | endangers the well being of present and future generations.
9 | No one was born rich in my family. I have lived here all my
10 | life, raising kids on my own while struggling economically as
11 | a freelance journalist and researcher, dedicating a large part
12 | of my time to social causes, community work, and cancer
13 | patients, experiencing the hardship and suffering of many in
14 | this humanitarian crisis.

15 | This 14-year economic crisis has deeply impaired the
16 | possibility of living a simple, dignified life for a large
17 | part of the population here on the island, being that more
18 | than 50 percent live under the poverty level. Most feel
19 | shocked and impotent beyond comprehension as it is all being
20 | taken away, and they no longer have a chance to start again.
21 | Most don't know or understand what's happening and how to
22 | defend themselves.

23 | In the times of my elders, Puerto Rico was a place of
24 | law and order, which gave people a feeling of security and
25 | felt protected by the government they trusted. We feel

1 betrayed and helpless. This economic mess that we are in came
2 as a surprise, since most transactions were done and still are
3 being done without the knowledge or participation of the
4 people. We were always made to believe everything was done
5 properly and approved complying with laws and regulations. We
6 never expected this to happen, since so many regulations and
7 clearances are supposed to be taken before contracts are made.
8 Questions remain unanswered.

9 Now, under bankruptcy, access to the information has
10 been denied, even to elected public officials in some cases,
11 and to the press. And the press has had to go to court to
12 access information, something individually -- individual
13 people hardly can afford to do. Bankruptcy is supposed to
14 offer a new start with basic needs provided for people, but
15 instead of alleviating us economically, they are greatly
16 compromising our limited resources.

17 We have seen how economic settlements and agreements
18 are being made that compromise us and future generations for
19 decades, even though the Financial Oversight Management
20 informed the Court that it recognized that part of the debt
21 might be -- that the debt emissions of the government were
22 done in violation of the Constitution. They were not
23 eliminated before negotiating the agreement.

24 From the beginning, those that have claimed these
25 loans are illegal have demanded an audit of the debt. And how

1 many other similar claims might be true with this Highways
2 Authority debt and could drastically change things and
3 alleviate our burden? Now we face a third plan of adjustment
4 for the Puerto Rico Highways & Transportation Authority. This
5 agreement will impose severe annual raises and toll fairs for
6 decades, which will make it very difficult for ordinary people
7 to afford when people have no choice other than to use
8 personal transportation for daily commuting since Puerto Rico
9 lacks public transportation.

10 The economic development of Puerto Rico is largely
11 concentrated in a few municipalities. A great percent of jobs
12 are in the Metropolitan San Juan zone and the cities of
13 Guaynabo, Bayamon, Caguas, and Carolina. It is financially
14 impossible for the majority of minimum wage workers to pay
15 more to use the highways, since all attempts to improve labor
16 conditions and salary raises through legislation is opposed by
17 the Financial Board. Raising tariffs will also apply to
18 commercial transportation, which will inflate prices for all
19 goods on the island.

20 Bankruptcy is supposed to offer a new start, with
21 basic needs provided, but instead of making it easier for us,
22 we have more compromising of our limited resources. With
23 PROMESA, the people in bankruptcy have financed a parallel
24 government, the junta, which has cost us millions when the
25 original situation had made it impossible to finance our own

1 government.

2 It is cruel and inhumane to see money squandered
3 recklessly when funds to cover essential services are being
4 drastically reduced, and we were told PROMESA precisely calls
5 for these services to be identified and the necessary fund
6 established to serve the people adequately. PROMESA's
7 austerity was bad enough, but after Maria's devastation, the
8 earthquakes and COVID-19 pandemic, with the lockdowns and so
9 many restrictions, the new reality makes it unbearable. It
10 seems that no one is providing a safety net of funds to
11 address unexpected situations like the drastic rise in costs
12 for basic necessities, and the fuel crisis that the Ukrainian
13 conflict has caused.

14 Puerto Rico's reality is quite unique since we are
15 not connected to the mainland, and greatly depend on imports
16 which are directly effected by things we have no control over.
17 The junta has stated that Puerto Rico will default again, most
18 likely, and if more people continue to migrate, complying will
19 become impossible. God forbid we suffer another natural
20 disaster.

21 We have been fooled and lied to by our government
22 officials, who have not complied with their fiduciary duty to
23 protect and administer our assets and resources, and also by
24 powerful banking and investment companies who went ahead and
25 issued the bonds, and also lied to those trusting clients who

1 originally had their money taken thinking these investments
2 were supposed to be safe, and, therefore, had no knowledge of
3 the risks involved. Those responsible for this wrongdoing
4 should pay with their money, their assets and insurances, so
5 that justice be served.

6 Judge Swain, please choose justice for the people of
7 Puerto Rico, and go down in history as a bankruptcy judge
8 whose leadership corrected Puerto Rico's finances. Thank you.

9 THE COURT: Thank you, Ms. Llenza.

10 The next speaker is Angel Pinto Rivera.

11 Good morning, sir.

12 MR. PINTO-RIVERA: Good morning, Your Honor. I
13 prefer to speak in Spanish and use the translator.

14 THE COURT: Very well then.

15 MR. PINTO-RIVERA: Thank you.

16 First of all, we would like to thank you for the
17 opportunity to be here. As representatives of the employees
18 of the PRHTA, we believe the fiscal and adjustment plan of the
19 PRHTA should not be confirmed for several reasons. First of
20 all, since collective bargaining has been prohibited since
21 2016, our membership has suffered a series of measures of
22 austerity by which acquired rights and fringe benefits
23 resulting from collective bargaining have been reduced or
24 eliminated through administrative orders and legislation.

25 We believe the fiscal situation and the debt of the

1 PRHTA are due in part to erroneous and bad judgment decisions
2 on the part of executive and managerial officers of the PRHTA,
3 other government agencies, and brokerage firms. And, Your
4 Honor, we believe liability should be imposed on those who
5 abused the trust that was placed in them and misspent public
6 funds. This measure is urgent, and will guarantee a better
7 public administration in the PRHTA and the country in general.

8 We believe any increase in tolls or services to be
9 paid by citizens should be justified, and should have the
10 effect of citizens receiving better services, not to provide
11 profits to private entities. This should be used, as was done
12 in the past, through the Department of Public Works, part of
13 the constitutional cabinet, and not through external resources
14 that are led by profits and -- in other words, Your Honor,
15 adjusting the plan to guarantee the money of bondholders, it
16 will be to the detriment of the operations of the HTA, the
17 wages, and the benefits of workers, and it will not allow the
18 PRHTA to become rehabilitated or become -- or get out of
19 bankruptcy successfully. Therefore, the fiscal plan should
20 not be confirmed.

21 Thank you, and have a very good day.

22 THE COURT: Thank you for coming here, and I wish you
23 a good day as well.

24 The final public speaker is Jose Rivera-Santana.

25 MR. RIVERA-SANTANA: Good morning.

1 THE COURT: Good morning. Would you please state
2 your full name before you make your remarks?

3 MR. RIVERA-SANTANA: Of course. We thank the Court
4 for giving us the opportunity to address the Court this
5 morning. My name is Jose Rivera-Santana.

6 For the past 28 years, I have worked in planning in
7 Puerto Rico, both in the public sector and the private sector.
8 I appear here today before this Court in my capacity as a
9 resident of this country of ours. In addition, I am a member
10 of the Citizens Committee for the Incomprehensive Audit of
11 Puerto Rico's Public Debt. The committee is comprised of
12 citizens. It is not governmental, partisan, or
13 multi-sectoral. It was founded by the members of public
14 interests that form part of the public committee created by
15 Act No. 97 of July 1st, 2015, to perform a comprehensive audit
16 of Puerto Rico's public debt. Unfortunately, this act was
17 repealed in April 2017 by the administration of former
18 Governor Ricardo Rossello-Nevares.

19 We believe that, in considering this adjustment plan,
20 one should have in mind or take into account one of the main
21 criteria, which is an inevitable, objective reality. In
22 Puerto Rico, the population is of 3.1 million inhabitants, and
23 there are 2.8 million motor vehicles registered according to
24 data from the Department of Transportation and Public Works.
25 This high proportion of vehicles per person is due to several

1 factors, among others, the lack of a collective transportation
2 system, and the adoption of territorial planning policies that
3 have privileged urban spreading and fostered distancing
4 between economic activities and residential areas.
5 Consequently, over 85 percent of people use their private
6 automobile as their main means of transportation to work.
7 This reality, in fact, makes the social disadvantages worse,
8 as it forces medium and low income sectors to spend more of
9 their personal budget on private transportation. It has been
10 estimated through various studies that this expense fluctuates
11 between 7,500 and 9,000 dollars per year, which is much more
12 than what is spent on food.

13 In keeping with the foregoing, it is easy to conclude
14 that any measure that will entail increases in the cost of
15 transportation to go to work and places to receive services,
16 will entail a greater economic burden on people and families,
17 as private automobiles have become an inevitable necessity.
18 According to the PRHTA's fiscal plan, in order to achieve
19 sustainability of the adjustment plan, annual increases will
20 be imposed on tolls and fines which are divided in four, an
21 annual increase in tolls of 8.3 percent during the first three
22 years. After 2025, there will be two types of annual
23 increases in tolls for the next 40 years, a set increase of
24 1.5 percent, variable increases for inflation adjustments,
25 also, annual increases and fines will be imposed to adjust

1 | those to inflation for 40 years, and the establishment of
2 | two-way toll plazas where right now there is only an one-way
3 | toll.

4 | It is worth mentioning that these increases would be
5 | carried out in a country whose economy has been stuck for the
6 | past 16 years, and a generalized increase in the cost of every
7 | good and service, in other words, the operant inflation trend
8 | is eating away the already miserable salaries. As to what the
9 | adjustment plan provides regarding the PRHTA's debt, we want
10 | to make the following comments: The total debt of the PRHTA
11 | amounts to about 6.7 billion dollars. The Board has told the
12 | country that the reduction of the debt included in the
13 | adjustment plan is of about 80 percent, as the new debt issued
14 | would be 1.2 billion dollars. The reduction seems to be high.
15 | However, in order to evaluate it, we must necessarily examine
16 | the composition of the PRHTA's debt.

17 | This debt can be divided in three different
18 | categories: The debt in bonds, the debt in GDB loans, and the
19 | debt in general -- in unsecured general claims. It must be
20 | pointed out that the GDB's debt was the first restructuring
21 | carried out under Title VI of PROMESA, a process that was
22 | carried out out of court, and the consequence said
23 | restructuring of the GDB -- as a consequence of said
24 | restructuring of the GDB, it no longer exists as an entity,
25 | and most of its assets are transferred to the GDB's Debt

1 Recovery Authority to pay the bondholders. In other words,
2 the greatest reduction of the PRHTA's debt type are the GDB
3 claims, which consist in delinquent debts, past due debts of
4 the government with the government itself, with the entity
5 whose operations have ceased. These -- therefore, these
6 unsecured claims are of very low value, if not of no value at
7 all.

8 (Sound played.)

9 MR. RIVERA-SANTANA: Moreover, we are worried that
10 the supposed sustainability of this plan -- as part of this, a
11 new loan is being taken out, which the central government will
12 have to grant to the Highways Authority to make viable the
13 first payment in cash to bondholders under this new adjustment
14 plan. The principal amount of this loan will be of 314
15 million dollars, and it will be paid until 2052.

16 It is questionable that the restructuring of the
17 PRHTA's debt requires a central government loan. That is,
18 more burden for the general fund.

19 THE COURT: Sir, before you go on, your time has
20 expired, and so I would ask you to go to the conclusion of
21 your remarks.

22 MR. RIVERA-SANTANA: Certainly. I was about to do
23 that.

24 THE COURT: Thank you.

25 MR. RIVERA-SANTANA: We cannot forget that this

1 payment agreement of the unaudited debt of the PRHTA is added
2 on to the economic burden that the sales tax represents under
3 COFINA. Also, a reduction in pensions, reductions in funds
4 for essential services, including the -- included in the
5 adjustment plan of the essential government debt, with the
6 bondholders of general obligations. In addition, the pending
7 agreement with bondholders of the Electric Power Authority,
8 which includes an increase in the power bill, will cause
9 increases in other areas of service.

10 And, to conclude, although the bankruptcy, as defined
11 in PROMESA, was supposed to be a fresh start for the
12 Government of Puerto Rico and the public corporations that
13 filed for bankruptcy, in the case of the Highways and
14 Transportation Authority, the same pattern is being repeated.
15 Its finances will continue to be tied for the next 40 years to
16 pay bondholders, and not to meet the needs of our citizens.
17 We are before another unsustainable adjustment plan for our
18 country.

19 Thank you very much for your attention.

20 THE COURT: Thank you very much for coming.

21 I thank the members of the public who have shared
22 their thoughts here today, and I also thank the people of
23 Puerto Rico. Your voices, your remarks, your deep concerns
24 and insights have been heard today both by the Court and by
25 counsel, and, as I make my legal decisions, I will remain

1 mindful of you and of what you have said. Again, thank you.

2 Now we will return to the arguments concerning the
3 objections, and it is time for Mr. -- well, okay. Mr. Rosen
4 -- thank you -- to make his response to the arguments.

5 MR. ROSEN: Thank you, Your Honor.

6 Your Honor, as I said at the outset, we had four
7 objections that we felt remained at the time of the
8 commencement of the hearing, and as we've heard already, the
9 MAPFRE objection has been resolved by the inclusion of
10 paragraph 56 of the proposed confirmation order. So I'll now
11 turn to the Finca Matilde objection.

12 First, I heard counsel refer several times to the
13 proposed paragraph 40 of the findings and conclusions, and
14 I've looked at it and there was a misstatement. And counsel
15 and I have discussed this. And his reference was to paragraph
16 42, not paragraph 40, Your Honor, but I don't think that
17 really matters.

18 Your Honor, in section 19.1 of the plan, which is the
19 class and the section dealing with the eminent domain inverse
20 condemnation claims, we provide, as we provided in paragraph
21 42 of the ongoing litigation that is out there, the appeal of
22 the Court's decision of the confirmation order, and the
23 intention of the Oversight Board to file a petition for writ
24 of certiorari with the Supreme Court for an appeal of the
25 First Circuit's decision.

1 But nevertheless, Your Honor, what section 19.1
2 provides is that in the event that that appeal does not
3 reverse this Court's decision in the Commonwealth case, the
4 holders of an allowed eminent domain inverse condemnation
5 claim will -- and upon the occurrence of a final order
6 determining the validity and amount of just compensation
7 attributable to an eminent domain inverse condemnation claim,
8 they shall receive 100 percent of that claim, Your Honor.

9 What our determination is of just compensation is
10 whatever that court determines it to be. So if it includes,
11 as counsel says, post-petition interest, that will be the
12 determination, Your Honor. We are not looking in any way to
13 reduce the amount of that claim. Whatever just compensation
14 is, that is what we'll be paid, Your Honor.

15 THE COURT: I am grateful for that clarity, but it
16 does --

17 (Sound played.)

18 THE COURT: Do we know what that's from?
19 Testing.

20 COURTROOM DEPUTY: It's gone. I fixed it.

21 THE COURT: Oh, you fixed it?

22 COURTROOM DEPUTY: Yes.

23 THE COURT: All right. Thank you. Miracles done yet
24 again.

25 So it seems to me that there's a technical problem,

1 | that if that is your intention with the way that intention is
2 | expressed in the plan, because the defined term "allowed
3 | eminent domain/inverse condemnation claim" is used, and
4 | section 1.10 of the plan specifically provides that
5 | post-petition interest is not part of an allowed claim, so
6 | there is an apparent conflict there with your expressed
7 | intention.

8 | MR. ROSEN: Your Honor, I apologize. I think under
9 | the Fifth Amended Plan it might have changed. I'm looking at
10 | 1.117, which is eminent domain/inverse condemnation claim. I
11 | think that's the reference.

12 | THE COURT: I'm sorry. I think I was probably
13 | working with the fourth or perhaps even the third when I made
14 | my notes.

15 | MR. ROSEN: Not a problem, Your Honor.

16 | THE COURT: So it's the thing that defines what an
17 | allowed claim is that --

18 | MR. ROSEN: Oh, so I understand what you're doing,
19 | Your Honor. So you're going back to the definition of allowed
20 | claim --

21 | THE COURT: Yes.

22 | MR. ROSEN: -- and then applying that to the inverse,
23 | the eminent domain.

24 | THE COURT: Precisely.

25 | MR. ROSEN: I apologize, Your Honor.

1 THE COURT: So "allowed claim" says "allowed claim
2 specifically excludes post-petition interest."

3 MR. ROSEN: I just want to make sure I see the
4 reference, Your Honor.

5 "Shall not include interest, penalties, or late
6 charges arising from the period from and after the HTA
7 petition date." So you're referring to the end of it, Your
8 Honor?

9 THE COURT: Yes. I'm still --

10 MR. ROSEN: It's in paragraph -- subsection Y of
11 that, all the way at the bottom I believe it is, Your Honor.

12 THE COURT: All right.

13 MR. ROSEN: I believe it is. Yes, Your Honor. That
14 does say it does not include interest from and after the HTA
15 petition date. Your Honor, to the extent necessary, we would
16 make clear that just compensation includes whatever the
17 party's entitled to pursuant to a final order of that court.

18 THE COURT: Very good. So you will fix that glitch?

19 MR. ROSEN: We can do that, Your Honor.

20 THE COURT: Thank you.

21 MR. ROSEN: Your Honor, the next item is the --
22 Mr. Mudd's clients, I'll call them the Velazquez plaintiffs,
23 and I thought Your Honor hit upon the very point we have tried
24 to make several times over by way of your questions to
25 Mr. Mudd about whether or not this would apply to any type of

1 proceeding or any type of activity where there was federal
2 funding.

3 Your Honor, we believe that -- and Mr. Mudd's answer
4 was very clear, that there was no reference at all in
5 connection with his type of client's claims, to any federal
6 law being implicated certainly. And I appreciate that
7 Mr. Mudd used, and highlighted, and bolded, whatever way you
8 want to say it, the word "safety" and "safe" several times
9 over in each one of his pleadings, but that doesn't mean that
10 it actually gets him or leap frogs or quantum leaps, Your
11 Honor, to a federal law. It is what it is, and it merely was,
12 Your Honor, a compensation scheme by HTA. It had nothing to
13 do with a federal law.

14 And the carve outs that we've noted, Your Honor, in
15 the reply are clear, that this does not impact the ability of
16 PROMESA to discharge this claim.

17 I understand that Mr. Mudd is desirous and believes
18 that what he was doing today was actually arguing his appeal
19 to you in a certain way, but his claims have already been
20 dismissed. They've been found not to be at this point in time
21 a valid claim against HTA.

22 He has an appeal pending in the First Circuit, but
23 even if he were to have a claim, Your Honor, we still believe
24 that the claim is dischargeable based upon the express
25 language contained in PROMESA. He conveniently does not

1 include the language which is out there, which is "except as
2 otherwise provided" several times over. He really does not
3 want to delve into section 304(h), which expressly deals with
4 this type of situation, Your Honor.

5 So specifically, Your Honor, we believe that while
6 Mr. Mudd believes that these claims are covered because of his
7 usage of the word "safe" and "safety," et cetera, Your Honor,
8 these are claims which are expressly permitted to be
9 discharged in the event that he ultimately would have a claim
10 which, based upon the District Court's decision before, he
11 would not have. So, Your Honor, we would urge the Court,
12 therefore, to overrule Mr. Mudd's objection on behalf of the
13 Velazquez plaintiffs.

14 The remaining objection, Your Honor, is the one that
15 took up the most of the time before the break, which is the
16 Franklin Nuveen objection and the Assured response to it.
17 Your Honor, you've heard us characterize this as an
18 intercreditor issue, and we believe it is still an
19 intercreditor issue. And you heard Franklin Nuveen expressly
20 state that they didn't have a problem with the treatment under
21 the plan vis-a-vis HTA. It's what has happened subsequently
22 to that.

23 Our position, Your Honor, all along has been that
24 this is a -- as I say, an intercreditor issue, and that we do
25 not have third-party releases in the plan itself. Your Honor,

1 the provisions that were included in the plan vis-a-vis
2 acceleration were specifically required to be included in
3 accordance with the terms of the Plan Support Agreement, and,
4 in that regard, Your Honor, section 5.3, which said we needed
5 to include certain acceleration provisions on behalf of the
6 monolines.

7 Your Honor, this is just an Assured issue, and I know
8 that Mr. Servais tried to raise the specter that it was going
9 to be a much broader issue in connection with other monolines,
10 but it's not, Your Honor. It's an Assured issue. And we
11 believe in what we wrote in the reply, but in response to what
12 Mr. Servais said, if Mr. Servais believes that the exclusion
13 of these provisions, or a carve out, or a toning down of these
14 provisions with respect to Assured would give rise to rights
15 on behalf of Assured to withdraw from the Plan Support
16 Agreement, he certainly has that right. But it's only an
17 Assured right, Your Honor, and his doomsday scenario that he
18 unfolded with respect to the total collapse of the HTA Plan is
19 unfounded, Your Honor, because if Assured wants to withdraw
20 its support for the plan, it may certainly do so. And it
21 would apply to those classes where Assured is a party, but
22 that does not mean that the other classes are withdrawn, Your
23 Honor. The other classes have still voted in support. Even
24 the uninsured bonds voted in support, Your Honor.

25 So we believe, Your Honor, that notwithstanding what

1 Assured's perspective might be, this plan is confirmable based
2 upon the acceptance over all by all of the other parties.
3 With respect to the third-party release, Your Honor, if you
4 believe that there is something that should be toned down, if
5 you believe that Franklin Nuveen should have rights somewhere
6 down the road, five, ten, 15 years, whatever that case may be,
7 Your Honor, and you seek to have us insert something in the
8 findings of the confirmation order that preserves that right,
9 please let us know, Your Honor, and we will do that.

10 Thank you, Your Honor.

11 THE COURT: So do you want to say anything further
12 about your voting or waiver arguments, or are you resting on
13 your papers for that?

14 MR. ROSEN: We are resting on our papers, Your Honor.
15 We believe they were comprehensive.

16 THE COURT: Thank you.

17 So now we return to Mr. Madden.

18 MR. MADDEN: Thank you, Your Honor. I thought it was
19 my turn. I wasn't sure.

20 THE COURT: You were right.

21 MR. MADDEN: Well, we certainly believe that the
22 objectionable language in the plan to which we've asserted a
23 limited objection can be toned down and dealt with among the
24 parties, and I've been trying to do that for some time. We do
25 not believe that resolving our objection requires anything

1 close to a doomsday scenario.

2 THE COURT: I'm sorry. Mr. Rosen, are you looking
3 for something?

4 MR. ROSEN: I was looking for my mask.

5 MR. MADDEN: Of course.

6 MR. ROSEN: Thank you.

7 MR. MADDEN: Just a few other points in the couple of
8 minutes I have. One just on voting rights, in answer to a
9 question Your Honor posed earlier to Mr. Servais, Assured's
10 voting rights are not a free license to affect its obligations
11 vis-a-vis its insured bondholders. You posed a question or a
12 hypothetical, what would happen if the plan were to provide
13 for a 50 percent haircut of the insurance payouts, and I heard
14 Mr. Servais to say what I think is the right answer, their
15 vote would not be conclusive of a dissenting insured
16 bondholder's objection to such treatment, because, as he put
17 it, that would be inconsistent with the policy. Well, so too
18 here.

19 What we're arguing is that plan provisions we've
20 objected to, and the release that accompanies them, are
21 inconsistent with the policy and the bondholders' rights.
22 Mr. Servais says, we are trying to create a distinction
23 without a difference between statutory acceleration under
24 section 502 and full acceleration of debt that's provided for
25 under -- or not provided for here under terms of an indenture.

1 Again, just to quote Assured from its papers in
2 COFINA, but just once this time, they wrote at page 20 of the
3 brief, we've cited, "section 502 simply allows a creditor to
4 file a claim for the full amount of its debt. It does not
5 advance the maturity date of a debt, nor does it operate as a
6 condition precedent to substantive contractual rights." We
7 couldn't agree more. They made the argument that our reading
8 of the law and the bond resolutions would render this
9 provision that's imposed by New York insurance law surplusage,
10 but as both parties agree, that language has to be in every
11 bond insurance policy, whether it includes acceleration rights
12 or not. It has to be in all of them. It doesn't create
13 acceleration rights where none exist under the terms of the
14 indenture.

15 Mr. Servais talks about cases, and the parties have
16 gone back and forth about these cases that involve set-off
17 rights or prepayment premiums. The setoff right cases simply
18 say that the entire claim, which has been accelerated under
19 section 502, can be used to set off against corresponding
20 claims. That doesn't create the rights of acceleration that
21 Assured is asserting here. And the prepayment premiums cases,
22 our position is that when Assured cited them, in our brief --
23 they weren't relevant to the question here, but our point was
24 that even those cases draw this distinction between statutory
25 acceleration and contractual acceleration.

1 Again, we believe there is a third-party release, a
2 non-debtor release in the plan, because it provides a
3 discharge from -- of Assured's obligations, if it were to make
4 the acceleration payment. The Board has said that if the
5 Court agrees, it will amend the plan to remove that
6 third-party release, which should answer the third-party
7 release question.

8 But just briefly, on *Master Mortgage*, I think Your
9 Honor correctly identified that the supposed non-debtor
10 contribution to the debt here is no such thing, it's just
11 payments that Assured has to make to its insured bondholders
12 under its insurance policy. That's just a separate
13 contractual obligation. Nor are these provisions we're
14 talking about essential to the plan, another *Master Mortgage*
15 factor. The Board has more or less just made that point for
16 me, and it doesn't become essential to the plan for purposes
17 of granting a third-party release just because Assured has
18 demanded it in a separate agreement among the parties.

19 Thank you.

20 (Sound played.)

21 THE COURT: Thank you, Mr. Madden.

22 Mr. Servais, you had two minutes reserved.

23 No. I'm sorry. That's right. You used all your
24 time.

25 MR. SERVAIS: I did.

1 THE COURT: You did, and then I asked you some other
2 questions.

3 MR. SERVAIS: Could I have one minute?

4 THE COURT: All right.

5 MR. SERVAIS: Since I'm already here?

6 THE COURT: Since you're already there.

7 MR. SERVAIS: Yes. So on the COFINA point, I didn't
8 have time to cover that. Ms. Miller did, correctly
9 articulated Assured's position. We initially did argue
10 against acceleration by operation of law in the COFINA
11 interpleader action. Assured subsequently conceded that point
12 through the terms of the COFINA settlement.

13 If you look at the declaration of Matthew Rodrigue
14 filed in support of the COFINA -- confirmation of the COFINA
15 Plan, he basically sets out the terms of that settlement,
16 which reflected a 60 percent chance that the parties arguing
17 in favor of acceleration by operation of law would have
18 prevailed. And the Court approved that settlement under a
19 9019 standard, which required the Court to consider likelihood
20 of success on the merits. So the Court effectively endorsed
21 that likelihood that the parties arguing in favor of
22 acceleration by operation of law would have prevailed, and
23 Assured then subsequently, with the other settling COFINA
24 parties --

25 (Sound played.)

1 MR. SERVAIS: If I could just finish my sentence --
2 negotiated a COFINA Plan that recognized acceleration of the
3 bonds, reflecting the terms on which that issue had been
4 settled in COFINA.

5 THE COURT: Thank you.

6 MR. SERVAIS: Thank you.

7 THE COURT: Mr. Capdevila, you had reserved two
8 minutes.

9 MR. CAPDEVILA: I don't think I'll need them given
10 the discussion with counsel for the Board. Given this
11 discussion, I am also scheduled to be a speaker at the
12 closing. However, I don't think that will be necessary, so I
13 formally ask to be excused.

14 THE COURT: That request is granted.

15 MR. CAPDEVILA: Thank you, Your Honor.

16 THE COURT: Thank you, sir.

17 Mr. Mudd, you hadn't wanted to make any rebuttal
18 remarks, correct? I think you used your time?

19 MR. MUDD: No, Your Honor.

20 THE COURT: Okay. Very good. Thank you.

21 So the next agenda item had been, again, Mr. Mudd to
22 have an opportunity to argue the objection to the findings of
23 fact and conclusions of law, but I gather that that is the
24 same argument that you've made.

25 MR. MUDD: (Nodding head up and down.)

1 THE COURT: So do you wish to say anything further,
2 Mr. Mudd?

3 MR. MUDD: No, Your Honor. I can reserve that for
4 closing.

5 THE COURT: All right. So Mr. Mudd doesn't want to
6 make any further remarks on the findings and conclusions.

7 MR. MUDD: (Nodding head up and down.)

8 THE COURT: Mr. Rosen, did you wish to say anything
9 on that?

10 MR. ROSEN: No, Your Honor. I believe that that
11 would take care of the remaining objections to the findings,
12 because of the withdrawal by AAFAF as to its issues.

13 THE COURT: Yes. I agree.

14 So let's -- we're scheduled to take our lunch break
15 at ten minutes to 1:00. Do we have time to do the
16 presentation of the evidence now, so that we can go to closing
17 statements when we come back from lunch?

18 MR. ROSEN: Yes, Your Honor. Mr. Firestein will
19 handle that. There are five witnesses, as the Court knows.
20 Each of those declarations and the exhibits we will be
21 offering into evidence, Your Honor. There is no effort to
22 cross-examine any of those, so we expect that we will be done
23 rather quickly.

24 THE COURT: Thank you.

25 Mr. Firestein.

1 MR. FIRESTEIN: Good afternoon, Your Honor. Michael
2 Firestein of Proskauer on behalf of the Board.

3 Mr. Rosen stole my thunder, but I think the Court was
4 already well aware that there was little to no opposition to
5 the admission of the evidence. I do want to take one item
6 that is not specifically listed here, which relates to the
7 exhibits themselves, so if I could just quickly deal with
8 those?

9 THE COURT: Yes.

10 MR. FIRESTEIN: On I think it was either Saturday or
11 Sunday, we filed the second amended final exhibit list, which
12 added only two items, which was the Fifth Amended Plan and the
13 resolution of the Board authorizing the filing of that plan,
14 which I don't think are going to be exhibits of any particular
15 consequence for their admissibility on the basis for which
16 they were sought to be admitted.

17 Before that, Your Honor, pursuant to the Court's
18 orders, we submitted to the Court by letter all of the various
19 exhibits, with a representation that none of them were
20 objected to for the basis on which they were sought to be
21 introduced to the Court. And all relevant counsel were copied
22 on that letter. And I'm pleased to report, at least to my
23 knowledge, that no one responded or provided any negative
24 comment to that position.

25 So I -- if I can, Your Honor, there -- on the

1 debtors' exhibit list, not all of them are being sought to be
2 admitted for all purposes. Some of them are being admitted,
3 but not for the truth, and other exhibits are being introduced
4 to the Court solely for purposes of identification. They've
5 been identified in many locations, as recently as Sunday when
6 the final filing was done. I'm happy to recite that for the
7 Court, if necessary, or, if the Court wishes, for expeditious
8 purposes, to simply accept the representation that's contained
9 in the exhibit that was filed on Sunday. But, for the record,
10 I'm happy to identify them.

11 THE COURT: Well, let me just first verify that we're
12 looking at the same list, because, unfortunately, the copy of
13 the list that I have here doesn't have a filing number on the
14 top.

15 MR. FIRESTEIN: I'll help you.

16 THE COURT: So the list that I have has 62 debtors'
17 exhibits, ending with an affidavit of service -- no. I think
18 this is only the one that goes through the Fourth Amended
19 Title III Plan. To step back for a minute, the use of exhibit
20 column is clear as to any limitations on the admission. So
21 where it says "admit," is it your intention that it be
22 admitted for all purposes?

23 MR. FIRESTEIN: Yes, Your Honor.

24 THE COURT: And "admit, but not for the truth" means
25 admit for the fact that it exists and says whatever it says?

1 MR. FIRESTEIN: Correct, Your Honor.

2 THE COURT: Then I think those are the main
3 variations, and then, for identification, it's just as --
4 something to refer to, but not admitted as substantive
5 evidence?

6 MR. FIRESTEIN: Exactly, Your Honor.

7 THE COURT: All right. Do you have an ECF filing
8 number of the definitive augmented version of the list that
9 you filed on the --

10 MR. FIRESTEIN: I do. I do, Your Honor. I actually
11 had an extra copy printed today, but on the HTA docket, it's
12 1379, and that contains all the way through Exhibit 64, which
13 includes the last two exhibits, the additional ones being the
14 Fifth Amended Plan and the resolution authorizing the filing
15 of it.

16 THE COURT: Thank you. So now I will ask the
17 courtroom deputy whether my granting the motion to admit all
18 of the exhibits for the debtor as listed in ECF 1379 subject
19 to the limitations set out in that document will be sufficient
20 for her purposes, and I'm showing her now what the table --
21 what the chart looks like.

22 COURTROOM DEPUTY: Yes, Your Honor. Absolutely.

23 THE COURT: I'm told that we can take advantage of
24 this efficiency, and so, therefore, the debtors' exhibits in
25 ECF No. 1379, subject to those -- any limitations in the

1 exhibit -- use of exhibit column, are admitted without
2 objection.

3 (Whereupon Debtors' Exhibits admitted into evidence.)

4 MR. FIRESTEIN: Perfect. Great.

5 With that, Your Honor, I'm happy to move on to the
6 first of the witnesses.

7 THE COURT: Yes.

8 MR. FIRESTEIN: The Board, on behalf of the debtor,
9 first calls Ms. Christina Pullo, who I believe is present in
10 the courtroom.

11 MS. PULLO: (Raised hand.)

12 MR. FIRESTEIN: There she is.

13 THE COURT: Hello, Ms. Pullo.

14 MS. PULLO: (Raised hand.)

15 MR. FIRESTEIN: So we're happy to oblige whatever
16 protocol the Court would like. Ms. Pullo is here. As the
17 Court is aware, and if not, I'll confirm for the Court that
18 both deadlines passed that the Court set for anyone seeking
19 permission to cross-examine Ms. Pullo. No one at any time has
20 expressed that, but she is here in the event that the Court
21 has any questions. But other than that, I would move Ms.
22 Pullo's declaration into evidence, and if the Court would like
23 the ECF numbers in both dockets, I'm happy to provide that.

24 THE COURT: Yes. That would be very helpful.

25 MR. FIRESTEIN: Ms. Pullo's declaration, and its

1 associated attachments, are in the HTA docket at ECF No. 1356,
2 and in the Commonwealth docket it is at docket -- ECF No.
3 21774.

4 THE COURT: Ms. Pullo's declaration, as tendered,
5 without objection, is accepted as Ms. Pullo's direct
6 testimony, and the Court has no further questions for
7 Ms. Pullo.

8 (Whereupon Christina Pullo Declaration admitted into
9 evidence.)

10 MR. FIRESTEIN: For efficiency purposes, and we can
11 do this all at once before we break for lunch, but can
12 Ms. Pullo be excused then?

13 THE COURT: Yes.

14 MR. FIRESTEIN: If the Court has no further use --

15 THE COURT: Yes. Thank you, Ms. Pullo. You may be
16 excused.

17 MR. FIRESTEIN: May I proceed?

18 THE COURT: Yes.

19 MR. FIRESTEIN: The next witness, Your Honor, is
20 Chairman David Skeel, who is also present in the courtroom.

21 MR. SKEEL: (Raised hand.)

22 THE COURT: Hello, Mr. Skeel, Professor Skeel.

23 MR. SKEEL: Hello, Your Honor.

24 MR. FIRESTEIN: Once again, Your Honor, of the two
25 deadlines that passed --

1 COURTROOM DEPUTY: Let me check with Pablo, Your
2 Honor. I think some line got disconnected for Court
3 Solutions.

4 THE COURT: Okay. So we have to call and check to
5 see if the call was disconnected.

6 COURTROOM DEPUTY: Court Solutions is down, our
7 connection. I don't know if it's something with their service
8 or our connection. Pablo's on his way.

9 THE COURT: So what can we do about Court Solutions?

10 COURTROOM DEPUTY: I'm being told that someone is
11 here.

12 THE COURT: So, Mr. Firestein, if you want to rest
13 for a minute, apparently the Court Solutions connection
14 dropped.

15 MR. FIRESTEIN: Very good, Your Honor.

16 THE COURT: So we are trying to figure out how to get
17 that back together.

18 MR. FIRESTEIN: Thank you.

19 COURTROOM DEPUTY: Your Honor, the four-hour limit --

20 THE COURT: It's been so long I forgot that.

21 COURTROOM DEPUTY: I'm going to take a few minutes to
22 disinfect the podium if I may.

23 THE COURT: All right.

24 Do you have to check the dashboard to see if people
25 are back in?

1 COURTROOM DEPUTY: Yes. Sure.

2 AT&T's back.

3 THE COURT: AT&T's back?

4 COURTROOM DEPUTY: Yes.

5 THE COURT: Good.

6 MR. SEGUI: We're good, yes.

7 COURTROOM DEPUTY: We have Court Solutions.

8 THE COURT: So we're good with everything?

9 COURTROOM DEPUTY: (Nodding head up and down.)

10 THE COURT: All right. Please go on,

11 Mr. Firestein.

12 MR. FIRESTEIN: Thank you, Your Honor.

13 Again, we were speaking about Chairman Skeel, who is
14 present in the courtroom. Once again, other than AAFAF, whose
15 request has been withdrawn, no one expressed any interest in
16 cross-examining Chairman Skeel.

17 In the first instance, what I'd like to do is
18 identify the ECF numbers of his declaration, and then move
19 that into evidence.

20 THE COURT: Yes. Please go ahead.

21 MR. FIRESTEIN: Mr. Skeel's HTA ECF Number is 1357,
22 and the Commonwealth ECF Number is 21775. And, for
23 formality's sake, I move the declaration of David Skeel into
24 evidence at this time.

25 THE COURT: There having been no objections, the

1 declaration of David Skeel is accepted into evidence as direct
2 testimony, and the Court has no further questions for Chairman
3 Skeel.

4 (Whereupon David Skeel Declaration admitted into
5 evidence.)

6 MR. FIRESTEIN: Thank you, Your Honor. And as we did
7 with Ms. Pullo, I gather that when we take a break, that
8 Chairman Skeel will be excused from the proceedings?

9 THE COURT: Yes.

10 MR. FIRESTEIN: Thank you very much.

11 The next witness that the debtor proposes to call is
12 David Brownstein, who I believe is also present in the
13 courtroom.

14 THE COURT: Good afternoon.

15 MR. FIRESTEIN: As with the other witnesses, Your
16 Honor, or as -- let me rephrase that. As with Mr. Skeel, only
17 AAFAF sought the opportunity to cross-examine Mr. Brownstein.
18 That request has been withdrawn. No one else has expressed
19 either an interest or intention to cross or an objection to
20 the declaration.

21 For the record, I'll move the declaration of David
22 Brownstein into evidence, and I'll provide the ECF Numbers for
23 that. In HTA, it is ECF No. 1358, and in the Commonwealth,
24 it's ECF No. 21776.

25 THE COURT: The motion is granted, and the Court has

1 no further questions for Mr. Brownstein.

2 (Whereupon David Brownstein Declaration admitted into
3 evidence.)

4 MR. FIRESTEIN: I'll wrap up, Your Honor, at the end
5 and get everyone excused.

6 The next witness that the debtor proposed -- intends
7 to call is Mr. Ojas Shah, who is also present in the
8 courtroom.

9 THE COURT: Good afternoon, Mr. Shah.

10 MR. FIRESTEIN: Your Honor, no one expressed any
11 intention or interest in cross-examining Mr. Shah. No
12 objections to his declaration have been filed. I'll identify
13 for the record the HTA ECF Number as 1359 for Mr. Shah, and
14 the Commonwealth ECF Number is 21777.

15 And, for the record, Your Honor, I move the
16 declaration of Ojas Shah into evidence on behalf of the
17 debtor's case in chief.

18 THE COURT: The motion is granted, and the Court has
19 no further questions for Mr. Shah.

20 (Whereupon Ojas Shah Declaration admitted into
21 evidence.)

22 MR. FIRESTEIN: Thank you, Your Honor.

23 The last witness that the debtor proposes to call is
24 Mr. Jay Herriman, who is also present in the courtroom in the
25 back.

1 MR. HERRIMAN: (Raised hand.)

2 THE COURT: Good afternoon, Mr. Herriman.

3 MR. HERRIMAN: (Nodding head up and down.)

4 MR. FIRESTEIN: As with the other witnesses, Your
5 Honor, no one has expressed any intension or interest in
6 cross-examining Mr. Herriman, no objections to his
7 declarations have been filed. His ECF Number for HTA is 1355,
8 and the Commonwealth ECF Number is 21773.

9 And the debtor moves the declaration of Jay Herriman
10 into evidence as part of its case in chief.

11 THE COURT: The motion is granted, and the Court has
12 no further questions for Mr. Herriman.

13 (Whereupon Jay Herriman Declaration admitted into
14 evidence.)

15 MR. FIRESTEIN: Thank you.

16 If I might, Your Honor -- well, that concludes the
17 witnesses that the debtor has to offer, but as a matter of
18 comity and courtesy to the other lawyers who are here, they've
19 asked, since I referenced the exhibits for the debtor, and
20 since there were no objections to anybody's exhibits, they
21 asked me to simply seek to have those matters, not by my own
22 motion but by their respective motions to admit their exhibits
23 into evidence. And I can provide the ECF Numbers for them,
24 and identify the party if that's acceptable to the Court.

25 THE COURT: Yes, please.

1 MR. FIRESTEIN: So for Assured, and unfortunately I
2 only have the Commonwealth ECF Number, but they filed exhibits
3 under two ECF Numbers at 21608 and 21667. And I believe those
4 are some insurance-related documents, and that's what
5 Assured's counsel has asked me to represent to the Court.

6 THE COURT: Assured's exhibits filed at 21608 and
7 21667 are admitted in evidence without objection.

8 (Whereupon, Assured's Exhibits filed at 21608 and
9 21667 admitted into evidence.)

10 MR. FIRESTEIN: Similarly, Your Honor, Mr. Mudd, on
11 behalf of the Velazquez claimants, has asked me to reference
12 for the Court ECF Number in HTA 1287 as being the place on
13 which his exhibits were uploaded into the system, and I
14 believe he is intending to move those into evidence as well;
15 and consistent with the letter that was provided to the Court,
16 there were no objections to those exhibits.

17 THE COURT: The exhibits of the Vazquez-Velazquez
18 plaintiffs at ECF No. 1287 are admitted in evidence without
19 objection.

20 (Whereupon Vazquez-Velazquez Exhibits at ECF No. 1287
21 admitted into evidence.)

22 MR. FIRESTEIN: Lastly, Your Honor, the HTA Insured
23 Bondholder Group has seconds ago provided me with the ECF
24 references for the exhibits that they filed as well. In the
25 HTA docket, they are at ECF No. 1303, and in the Commonwealth

1 docket, they are at ECF No. 21619. And like the other
2 exhibits, those were previously identified and represented to
3 the Court in a letter that we provided to the Court expressing
4 no objection by any party.

5 THE COURT: The HTA Bondholder Group exhibits at 1303
6 in the HTA Docket and 26 -- sorry, 21619 in the Commonwealth
7 docket are admitted in evidence without objection.

8 (Whereupon, IBG Exhibits at HTA Docket No. 1304 and
9 Commonwealth Docket No. 21619 admitted into evidence.)

10 MR. FIRESTEIN: Thank you, Your Honor.

11 I have one final clean-up issue.

12 THE COURT: Yes.

13 MR. FIRESTEIN: When the declarations were filed,
14 they were all filed with S slashes, because I have custody and
15 possession of the signature pages for each of those
16 declarants. My understanding of the rules is as long as I
17 have custody of those executed declarations, we're permitted
18 to file them as S slashes, but as a matter of convenience to
19 the Court, if you would like us to provide the signature
20 pages, we're happy to either file an informative motion or
21 something to that effect. If it's okay -- I mean, the docket
22 has plenty of stuff on it already. You know, I'd prefer,
23 unless the Court requires it, that we not file the
24 declarations all over again, but I do have execution pages as
25 of August 7th when these declarations were filed.

1 THE COURT: Let me ask Ms. Tacoronte.

2 (Discussion held off the record with the Court and
3 courtroom deputy.)

4 THE COURT: So if you will provide them to
5 Ms. Tacoronte at the break, what she will do is attach them to
6 the minute entry for the proceeding.

7 MR. FIRESTEIN: Be happy to do that, Your Honor. I
8 hold them in my hand.

9 COURTROOM DEPUTY: Thank you.

10 MR. FIRESTEIN: The last matter of technicality is,
11 on behalf of all our witnesses, we would respectfully request
12 the Court to excuse them so that if they have other
13 arrangements or other things they need to attend to, they can
14 do so, because we've concluded the presentation of the
15 evidence as far as the debtor is concerned.

16 THE COURT: That request is granted, but before you
17 leave the podium, is someone going to move Mr. Mudd's witness'
18 declaration into evidence?

19 MR. FIRESTEIN: I would assume Mr. Mudd is, but we
20 did not register any objection to its admission, and so under
21 the assumption that Mr. Mudd is going to move Mr. Cespedes'
22 declaration into evidence, we would have no objection to it.

23 THE COURT: Okay. So, Mr. Mudd, I have -- since
24 you're not near an audio, I'll ask you to make hand signals
25 that I'll describe. So I have, as Docket Entry No. 1287 in

1 the HTA case, the statement of Carlos Cespedes-Gomez in
2 support of your objection. Do you move that into evidence?

3 MR. MUDD: Yes, Your Honor.

4 THE COURT: Mr. Mudd has answered in the affirmative.
5 There have been no objections. The motion is granted, and
6 that declaration is admitted in evidence.

7 (Whereupon Carlos Cespedes-Gomez Declaration admitted
8 into evidence.)

9 MR. MUDD: Thank you, Your Honor.

10 THE COURT: Thank you.

11 MR. FIRESTEIN: To the best of my understanding, Your
12 Honor, with that, I believe the evidence portion of the
13 confirmation hearing is concluded.

14 THE COURT: Very well then. Thank you. That was
15 quite efficient, and I have been studying my notebook and the
16 exhibits.

17 MR. FIRESTEIN: Thank you.

18 THE COURT: So we will now take a break for lunch.
19 We will resume for closing arguments, and then at the
20 conclusion of those arguments, the Omni. So please be back
21 and ready to proceed at 2:00 PM. Thank you. We are
22 adjourned.

23 COURT SECURITY OFFICER: All rise.

24 (At 12:44 PM, recess taken.)

25 (At 2:00 PM, proceedings reconvened.)

1 THE COURT: Good afternoon. Please be seated.

2 All right. I have found myself again on the
3 computer. So we are continuing the confirmation hearing with
4 respect to the Fifth Amended Proposed Plan of Adjustment for
5 HTA, and now I'm ready to hear closing statements. First, for
6 the plan proponent, Mr. Rosen has been allocated ten minutes.

7 MR. ROSEN: Thank you very much, Your Honor. Again,
8 Brian Rosen, Proskauer Rose, on behalf of the Oversight Board.

9 Your Honor, the HTA Plan takes approximately 6.4
10 billion dollars of debt, which debt is completely beyond any
11 means of repayment, and replaces it with approximately 1.245
12 billion of new HTA bonds, plus a subordinating note to the
13 Commonwealth for approximately 350 million dollars.

14 As we know from the declaration of David Brownstein,
15 the payment of such new debt pursuant to the terms of the new
16 HTA bonds indenture is entirely feasible. We also know, Your
17 Honor, that the payment of general unsecured claims is
18 feasible pursuant to the payment of the Commonwealth loan
19 amounts, and that the payment of federal claims over 40 years
20 is projected to occur.

21 Furthermore, Your Honor, we know that procedures are
22 in place to make payments on eminent domain inverse
23 condemnation claims and surety claims as and when they become
24 due. And following up on the conversation that we had before
25 the break, Your Honor, with respect to language that we might

1 insert into the definition of "allowed," we would suggest,
2 Your Honor, that at the appropriate time, we would go to
3 section 1.10 of the plan, and in subsection Y, insert after
4 "for any purpose under the HTA Plan," "except with respect to
5 any amounts" -- excuse me, "except with respect to amounts
6 that are determined by a final order to be just compensation
7 attributable in connection with the allowance of an eminent
8 domain/inverse condemnation claim," and then it would continue
9 "allowed shall not include the interest," et cetera, et
10 cetera. So we would make that insert, Your Honor.

11 THE COURT: That sounds like a clarification that's
12 needed. So are you anticipating filing further amended
13 versions, and will you hold off on that, or do you want to
14 file an informative motion with that proposed language?

15 MR. ROSEN: We'll do whatever the Court suggests, but
16 I will tell you, just like I hit my limit on Commonwealth, I
17 think I'm up to modified fifth instead of going to the sixth
18 at this point, Your Honor.

19 THE COURT: But your precedent is eighth.

20 MR. ROSEN: I know I can go to eighth, but I think I
21 have to stop at this one.

22 THE COURT: Well, if you're not planning to do a
23 modified very soon, filing it with an informative motion will
24 help us to have our up-to-date store of materials as we work
25 on our decision.

1 MR. ROSEN: Your Honor, we'll follow -- we'll follow
2 whatever lead you suggest, whether you want it filed right
3 away, whether we do the informative motion. If the Court were
4 to confirm it, I obviously would attach the form of plan to
5 that order and judgment. So we'll make sure that you have it
6 whenever you're ready to have it.

7 THE COURT: All right. We'll figure that out.

8 MR. ROSEN: Yes.

9 THE COURT: Go on, please.

10 MR. ROSEN: Your Honor, we know that all the
11 requirements set forth in section 314 of PROMESA have been
12 satisfied, and with respect to the voting to accept or reject
13 the HTA Plan, over 99.9 percent of the claims voted, in dollar
14 amount, in other words, in excess of five billion dollars
15 voted to accept the plan. And we know that the general
16 unsecured class, while rejecting due to the number of the
17 votes cast, as Mr. Bongartz talked about, overwhelmingly
18 supports acceptance in dollars.

19 We also know, from Mr. Herriman's declaration, that
20 all efforts are being undertaken to expeditiously reconcile
21 claims at HTA, as well as the other Title III debtors. We
22 know, Your Honor, that a lot of care and attention went into
23 developing the HTA Plan on the part of the mediation team, the
24 Oversight Board, the government, the Creditors Committee, and
25 significant parties in interest. The Oversight Board has

1 | listened to all of these creditors, Your Honor, every step of
2 | the way, and to the extent formal objections or informal
3 | communications have come our way, the Oversight Board has
4 | addressed these concerns, and, thus, the multiple plans that
5 | were filed, the draft confirmation orders that were filed, and
6 | draft findings and conclusions of law have been filed. Each
7 | one includes modifications designed to address such concerns
8 | to the extent appropriate. The fact that there remains
9 | effectively, in our opinion, Your Honor, one objection to
10 | confirmation illustrates that point.

11 | As I said at the outset, we have resolved the MAPFRE
12 | objection, Your Honor. We believe we have resolved the Finca
13 | Matilde objection. You know our position with respect to the
14 | Assured-Franklin Nuveen, which is not in our view truly an
15 | objection to confirmation, which would leave only the
16 | Velazquez plaintiffs, which also we believe, Your Honor,
17 | should be overruled in its entirety, for it is a
18 | nondischargeable claim if, in fact, there ever were to be a
19 | claim as determined by the First Circuit.

20 | Your Honor, we ask that you overrule any remaining
21 | objections, confirm the HTA Plan, and facilitate the further
22 | restructuring of the island's indebtedness through
23 | consummation of a plan of adjustment that has virtual
24 | universal support. Your Honor, unless you have any further
25 | questions for me, that would be my closing statement.

1 THE COURT: Thank you, Mr. Rosen.

2 Next, I'll hear from Ambac. Good afternoon,
3 Ms. Miller.

4 MS. MILLER: Good afternoon, Your Honor. Atara
5 Miller from Milbank on behalf of Ambac Assurance Corporation.

6 I stand up here in a moment of personal disbelief as
7 this may resolve all of Ambac's outstanding bonds in Puerto
8 Rico. And so, as Mr. Rosen and others noted at the beginning
9 in the openings, the HTA Plan is just one piece of a broad
10 collection of agreements that allowed for a successful
11 restructuring of the Commonwealth, the PBA, PRIFA, CCDA, and
12 now HTA. This confirmation hearing is that last piece, and it
13 was heavily negotiated on all fronts, and, as this Court is
14 well aware, heavily litigated.

15 There are a number of agreements that we think
16 together will allow the Commonwealth to emerge from these
17 proceedings, stronger rather than crippled, which I think was
18 a guiding light that Your Honor set for all of us at the very
19 beginning and opening of these proceedings.

20 The monolines, as long-term partners with the
21 Commonwealth, were consistently focused on ensuring a bright
22 future for the island, and the monolines, including Ambac,
23 took a leading role in finding the best solution that
24 appropriately balanced rights of creditors and the hopes and
25 dreams of the people of Puerto Rico. Stable and dependable

1 infrastructure, including roads that are actually well
2 maintained and will allow you to travel for leisure or for
3 work from one place to another are critical in a modern
4 society. This plan allows HTA to shift to becoming a
5 virtually self-sufficient enterprise.

6 Fundamentally different, and I know there was some
7 criticism of the Commonwealth loan, but as Your Honor is well
8 aware, HTA pre-restructuring was largely funded by a number of
9 transfers from the Central Government, which we disputed on
10 the appropriateness of those revenue streams and who they
11 belonged to for many years. That is a paradigm shift that
12 will result in a stronger Highways and Transportation
13 Authority.

14 The plan also reflects the creativity of all of the
15 parties involved, allowing optionality for HTA to emerge from
16 Title III today, for when Your Honor approves the plan, if it
17 does, while preserving the flexibility going forward for the
18 Commonwealth to consider public-private partnerships that are
19 deemed beneficial to HTA and the Commonwealth. We believe
20 that the evidence submitted by the Oversight Board in support
21 of the plan clearly demonstrates that the proposed plan
22 complies with all of the conditions of section 314 of PROMESA,
23 and after five years of heated litigation, specifically
24 related to HTA, I think it is a remarkable moment that we're
25 all sitting here and even shared lunch together in support of

1 a plan that has virtually universal consent and support.

2 I want to thank again the mediation team for their
3 endless effort in getting us here, not letting any of us give
4 up along the way, and also to Your Honor and this court and
5 all of your staff for the -- and Judge Dein, also, for
6 listening and resolving the many disputes that we had along
7 the way that were necessary to get us to this point. So thank
8 you.

9 Ambac believes that the plan is confirmable, and
10 would urge Your Honor to confirm the Fifth or maybe Modified
11 Fifth Plan of Adjustment for HTA.

12 THE COURT: Thank you, Ms. Miller.

13 MS. MILLER: Thank you.

14 THE COURT: Next will be Mr. Sosland for FGIC.

15 MR. SOSLAND: Good afternoon, Your Honor. Martin
16 Sosland on behalf of National Guaranty Insurance Company.

17 My closing comments will largely echo Ms. Miller's,
18 and so I will not repeat some of the things that she said,
19 although I share in the entirety the sentiments of them. I
20 would emphasize a couple of them. One, the nature, as I said
21 in the opening, of the extent of the vigorous and arms-length
22 negotiations following vigorous litigation that the Court
23 witnessed firsthand on many of the issues that resolved in the
24 HTA Plan, and I would urge the Court, however the Court
25 determines to resolve the objection related -- the dispute

1 between the Assured policy holders and Assured within the plan
2 to not disrupt that bargained-for arrangement that affects all
3 of the other monolines and bondholders. And some of us,
4 including FGIC, negotiated the treatment provisions not only
5 with the Oversight Board, but with our bondholders that go
6 into the plan. And they are indeed consensual, even though,
7 speaking on FGIC's -- for FGIC specifically, even though we
8 voted all of our bonds, our bondholders were involved in the
9 negotiation of the treatment provisions and in the documents
10 that were part of the plan supplement. And we would -- those
11 should not be disturbed, Your Honor.

12 And speaking of the documents in the plan supplement,
13 so the Court sees what's brought before the Court, you or any
14 other judge, and so you saw all of the litigation that went
15 forward before you for several years before we got to last
16 July, and the settlements that are embodied in this plan, and
17 the others that are already confirmed, what you haven't seen
18 are a lot of pleadings filed by FGIC since July of 2021. And
19 one of those reasons is once we were all on board with the
20 term sheet for the plan, that work was being done behind the
21 scenes with members of the Oversight Board, all of the
22 monolines, some other bondholders, representatives of AAFAF to
23 get the plan documents done, and people -- people were --
24 those were also arms-length negotiations, in which we didn't
25 always come to it originally from the same perspective, but

1 all of that got done. And that was a lot of hard work as
2 well.

3 I echo the thanks to the mediation team and to you
4 and Judge Dein. For FGIC, like Ambac, if you confirm the plan
5 that's before you, then you may not -- you may not see me or
6 even my signature except with respect to some stipulations as
7 we get rid of some ghost litigation that's outstanding,
8 because this is the last of the credits that FGIC is insured
9 on the island. So I thank you for your patience and your
10 judgment in steering this proceeding. The Fifth Amended Plan
11 as modified should be confirmed. We urge you to do so.

12 THE COURT: Thank you, Mr. Sosland.

13 Now, for National, Mr. Berezin. Are you on Court
14 Solutions?

15 MR. BEREZIN: I am, Your Honor.

16 THE COURT: Good afternoon.

17 MR. BEREZIN: Good afternoon. Robert Berezin of
18 Weil, Gotshal, & Manges for National Public Finance Guaranty
19 Corporation.

20 Your Honor, there is an echo, so I will be brief.
21 National strongly supports confirmation of the plan for HTA,
22 and we would ask the Court to leave undisturbed plan
23 provisions to which no party in interest has objected. With
24 that said, National thanks the Court, the mediation team,
25 Judge Dein, for everything that you all have done for Puerto

1 Rico, and to advance the challenging proceeding.

2 Thank you, Your Honor.

3 THE COURT: Thank you, Mr. Berezin.

4 Now for AmeriNational. Good afternoon.

5 MR. GARCIA-SOLA: Good afternoon, Your Honor. Arturo
6 Garcia from McConnell Valdes on behalf of AmeriNational for
7 the DRA servicer. I'll be brief, Your Honor, because a lot
8 has been said.

9 So we're finally reaching the end of a long, long
10 road that has taken all of us a lot of time and sleepless
11 nights to get to where we are, especially those of us who live
12 in Puerto Rico and have to use the roads. Despite all of the
13 problems we faced along the way, the parties were able to
14 reach, with the support of the FOMB and all the other parties,
15 an agreement that is now before the Court for confirmation,
16 and which is a strongly, highly consensual plan. The limited
17 objections to the plan have either been resolved or dealt with
18 in a way that I understand that there are some objections
19 still alive, but most of them have been dealt with in a way
20 that is sufficient for most people, most objectors to
21 hopefully lend support to the plan.

22 Confirmation of the plan should not be derailed, and
23 HTA should be allowed to come out on the other side of the
24 tunnel, dark tunnel at times, so that HTA can continue to
25 serve the citizens of Puerto Rico, and so that the people who

1 use the roads can safely drive to their jobs, or even just on
2 leisure. So AmeriNat strongly supports confirmation of the
3 plan.

4 All of us who live in Puerto Rico need to get back to
5 our usual and normal lives, Your Honor, and for that, I also
6 thank you and your team, your whole team, for a steady hand on
7 the wheel. Your support of the issues and the parties has
8 been very, very crucial to the success, I believe, PROMESA is
9 enjoying, and Puerto Rico hopefully will come out a stronger
10 and beneficial government for all of us on the island.

11 Thank you very much, Your Honor.

12 THE COURT: Thank you, Mr. Garcia.

13 Next is it Mr. Amend on Court Solutions for
14 Cantor-Katz?

15 MR. AMEND: Yes, Your Honor. Good afternoon. For
16 the record, Peter Amend from Schulte Roth & Zabel on behalf of
17 Cantor-Katz Collateral Monitor, LLC.

18 Your Honor, similarly, I'll be brief in my remarks.
19 For the reasons set forth by the Oversight Board today and in
20 admissions to the Court, we believe the Fifth Amended HTA Plan
21 should be confirmed. On behalf of the Collateral Monitor, we
22 want to thank the Oversight Board, and especially Mr. Rosen,
23 for efficiently implementing the terms of the settlement
24 reached by our clients.

25 Today the DRA notes issued pursuant to the GDB's

1 Title VI proceeding trade near 90, up significantly from where
2 they opened, and up nearly 100 percent from their bottom,
3 which is a successful outcome for the holders, including
4 former GDB creditors, and a successful resolution for the
5 people of Puerto Rico.

6 Finally, we'd like to thank Your Honor and Judge Dein
7 for your years of hard work to move these cases forward
8 towards a successful resolution. Thank you, Your Honor.

9 THE COURT: Thank you, Mr. Amend.

10 For the UCC, Mr. Bongartz?

11 MR. BONGARTZ: Yes. Good afternoon, Your Honor.

12 I'll be very, very brief. Actually, I have nothing further to
13 add beyond what I have already said earlier this morning as
14 part of my opening statement, other than to reiterate that the
15 Official Committee supports confirmation of the Fifth Amended
16 Plan. Thank you very much.

17 THE COURT: Thank you, sir.

18 Mr. Sanchez-Girona, did you wish to say anything
19 further for MAPFRE on Court Solutions?

20 I think he said he was not.

21 MR. ROSEN: Your Honor, I think he said he would not
22 be at the closing, likewise, Mr. Capdevila.

23 THE COURT: Yes.

24 So, Mr. Mudd.

25 MR. MUDD: Good afternoon, Your Honor.

1 THE COURT: Good afternoon.

2 MR. MUDD: Let's look at the facts that we have. We
3 have H -- HWA 1273, Section 7, specifically deals with safety
4 and what the contracts and contractors, et cetera, have to do
5 with safety when funds, federal funds for highways are
6 involved. HTA regulation 02-017 specifically states that
7 those that are going to review and make sure that the
8 contracts are complied with, including the regulation I just
9 cited, are my clients. Section -- Article 1 specifically
10 states that. In addition, there's Mr. Cespedes' statement,
11 which has not been opposed. And I think, Your Honor, when you
12 add all that, then you see that this would not be a
13 dischargeable debt.

14 That will be all. Thank you.

15 THE COURT: Thank you, Mr. Mudd.

16 That concludes the scheduled closing statements. I
17 want to thank everyone, counsel, the parties, particularly the
18 mediation team for your time, and your efforts, and your
19 patience throughout this long process. I will now be taking
20 under advisement the proposed plan.

21 I may issue a meet and confer order with a short fuse
22 on it having to do with the IBG objection, but we will be
23 working hard on finalizing and documenting decisions. The
24 professionalism and meticulous attention paid not only to
25 issues that are financial and structural, but also to the

1 future of Puerto Rico through these proceedings, has been
2 essential, and also impressive, and I thank you for that.

3 We have all been and are in a position that is unique
4 in the history of the United States, and very significant to
5 the future of this island and to day-to-day life here. I
6 don't think that anyone has ever lost sight of it, and I don't
7 expect anyone ever to. So I thank you for that work and the
8 ability to take this important question of confirmation of the
9 proposed HTA Plan under advisement.

10 I don't know what my life would be like if I can't
11 think I'll see Ms. Miller and Mr. Sosland again in a
12 courtroom, but I suppose we'll just all have to cope and go
13 forward; but, you know, will you sprinkle some of that
14 finality dust over PREPA, too? There's still much to be done
15 here, and I expect that that work will continue seriously, and
16 in a focused way, and in that same spirit of finding a proper
17 path forward for Puerto Rico and the lives of her people.

18 So with that, we are adjourned with respect to the
19 confirmation hearing, and we can turn to the scheduled Omnibus
20 hearing.

21 (At 2:25 PM, proceedings concluded.)

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1 U.S. DISTRICT COURT)
2 DISTRICT OF PUERTO RICO)

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4 I certify that this transcript consisting of 128 pages is
5 a true and accurate transcription to the best of my ability of
6 the proceedings in this case before the Honorable United
7 States District Court Judge Laura Taylor Swain, and the
8 Honorable United States Magistrate Judge Judith Gail Dein on
9 August 17, 2022.

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13 S/ Amy Walker

14 Amy Walker, CSR 3799

15 Official Court Reporter

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